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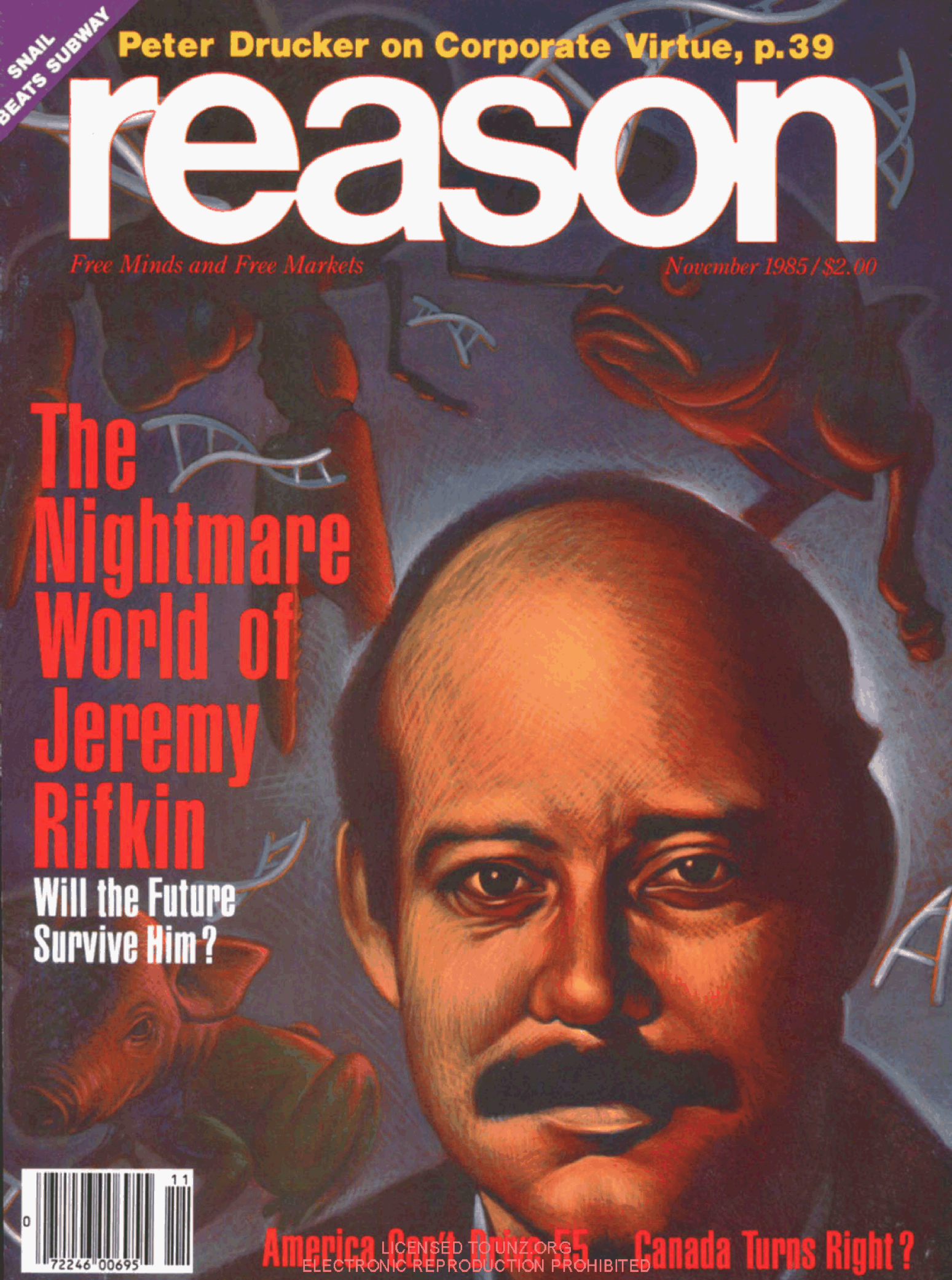

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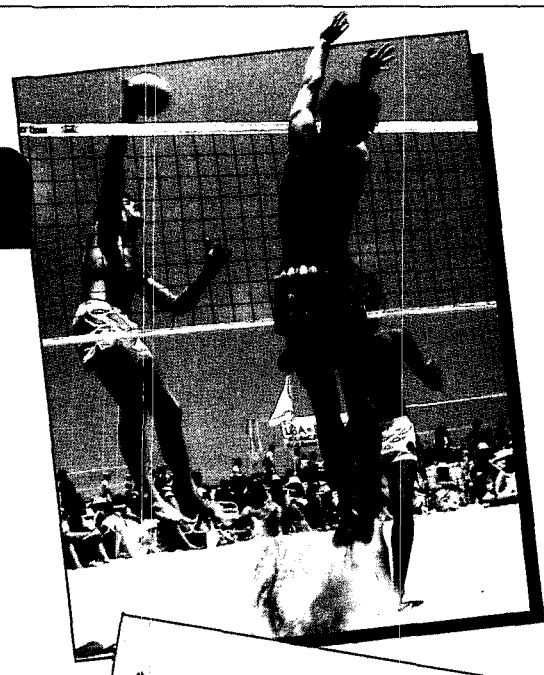

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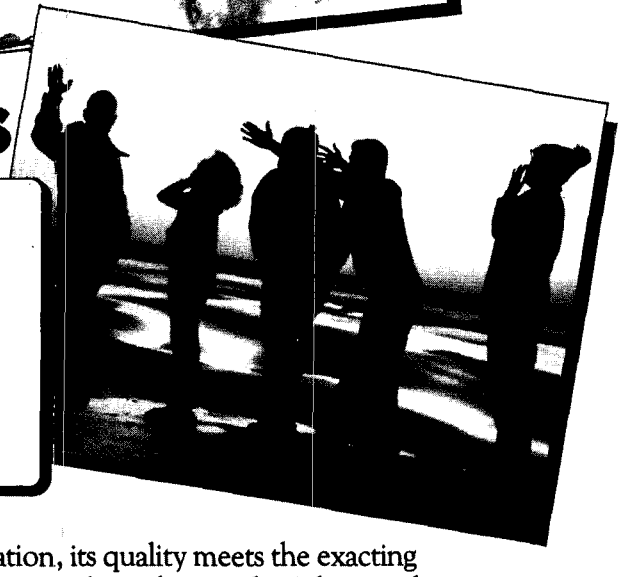

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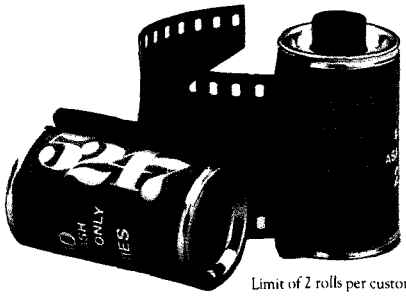

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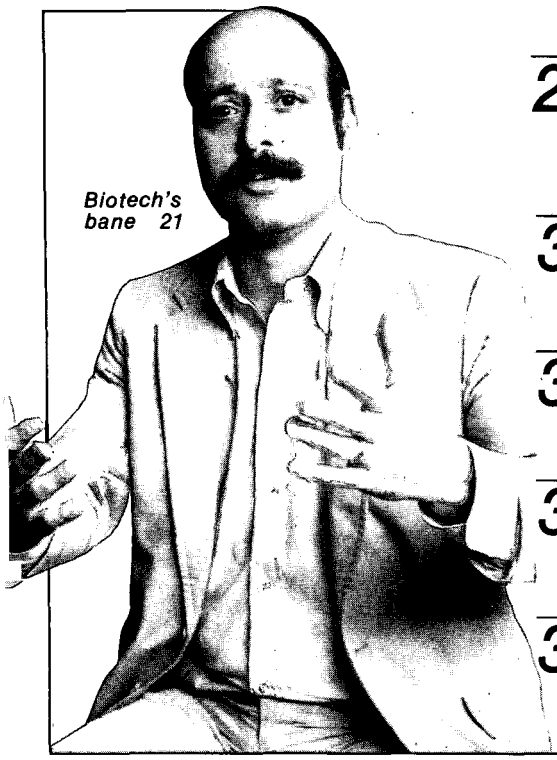

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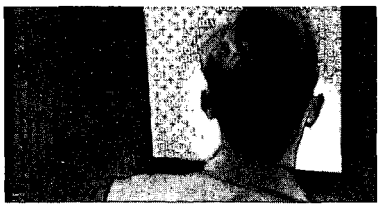

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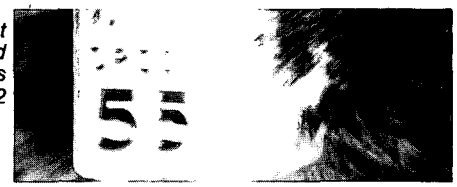

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letters

In Defense of Bondage

The subtitle of "Broadcasters in Bondage" (September), Robert Corn's article assailing the fairness doctrine, was: "Free speech is a fundamental right? Not when it comes to TV and radio broadcasters, it isn't—and an odd coalition of liberals and conservatives wants to keep it that way."

The coalition may be odd, but it is also correct. Broadcasters surely have a constitutional right to say anything they want to, fair or unfair. The question is whether they have a right to do so while using my (and your) air. If they feel they are in bondage, they may release themselves easily by giving up their government licenses.

Ronald K. Mawson
Jefferson City, MO

Uncle Joe Not So Bad

I take exception to the claim of Alexander Jason ("Delivering the Goods to Hitler," August) that Stalin was a willing ally of Hitler. Stalin did what he had to do. He bought time and space because he realized the Soviet Union was not prepared to meet the German army alone. After all, England and the United States committed the first aggression against Russia when they invaded Siberia in 1918, in an effort to reverse the revolution.

Had the western nations, especially the United States, shown a more sympathetic attitude toward the Russian people, I believe the situation today would be much better than it is.

John E. Erb
Northville, NY

Taxi Driver

Glenn Garvin's article on Pittsburgh jitneys ("Flouting the Law, Serving the Poor," June-July) was marred by the discussion of the economics of jitneys and taxicabs. Rather than showing lower costs through competition, the article seems to imply that for the most part jitneys are cheaper because the drivers violate the law—not having a chauffeur's license, avoiding income and Public Utility Commission taxes, and not buying special auto insurance (violating the insurance contract). The reader is left with the impression that if jitneys had to follow these laws they would cost as much as cabs, especially those readers who need convincing the most—public officials and other members of the "establishment."

Thomas Wicklund
Minneapolis, MN

Pickin' on Boone

Despite all the supposed authorities cited, your defense of unfriendly takeovers in the August issue ("Clear Thinking Overtaking Takeover Controversy") is rather lame.

Who can say that Phillips Petroleum and UNOCAL were badly managed or that their stockholders are now better off, post-Pickens, with companies in which "the hot blood of equity has been replaced by the cold water of debt," as UNOCAL's Fred Hartley so aptly put it.

Admittedly, some of the counter measures being proposed are extreme, but why doesn't REASON attack the real culprit, a tax system which is so biased in favor of debt and against equity that it leaves companies vulnerable to vultures like Pickens and Icahn?

Ronald J. Berkhimer
Walnut Creek, CA

This Land Ain't My Land

Many discussions on zoning such as your September Trends item "The Twilight for Zones?" focus on its impact on construction costs. This seems to miss the main point: zoning forces people to buy more housing than they need. Often, studies assume that without land-use restrictions the same types of housing would be built. These studies don't an-

letters

ticipate the many ways people would choose to economize on housing, given a chance to do so.

Also, while "change must come at the local level," it is my opinion that the *municipal* level is not the best place to fight zoning. Zoning's biggest victims are those would-be newcomers who get cheated out of a place to live. As outsiders, they are not in a position to conduct a political fight against that community's ordinances. So they must fight at levels where they are not outsiders: state and federal.

Julian Brookes
Needham, MA

Chrysler Almighty

Jeff Riggenbach's review of *Iacocca: An Autobiography* (June-July) suggests Mr. Iacocca may want to run for president because he is engaged in the Statue of Liberty restoration. Riggenbach believes that is an indication that Mr. Iacocca wants to move beyond the auto business. Riggenbach guesses wrongly.

Mr. Iacocca was asked by President Reagan to head up the Statue of Liberty-Ellis Island Foundation. As the son of immigrants, Mr. Iacocca hastened to accept, for reasons spelled out in his book.

Riggenbach is suspicious of Mr. Iacocca's intentions because Mr. Iacocca is so outspoken on politics, especially issues that affect the auto industry. The chairmen of Ford and General Motors have strong opinions on political issues that affect our industry, too. I submit that Mr. Iacocca is more effective in communicating his opinions. That does not make him a presidential candidate.

Mr. Iacocca is not going to run for president. He has an excellent platform as chairman of a large industrial corporation. You will continue to hear from him, but not on the campaign trail. Many people admire Mr. Iacocca's straight talk. They should believe him when he says he is not going to run for public office.

Baron K. Bates
Vice President, Public Relations
Chrysler Corporation
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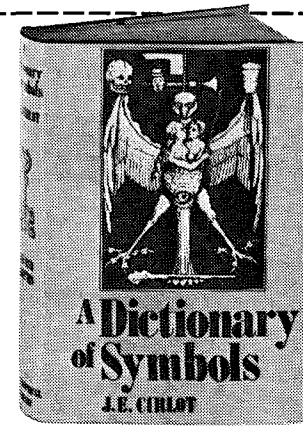

Forget Placebos -- Let's Go for the Strong Stuff

Marty Zupan

"The high cost of health care" seems to have settled in as a lingering issue. Every six months or so, the fever sweeps the body politic, diagnoses are pronounced on the opinion pages of newspapers and in popular magazines, and handy prescriptions are written out. "Just take this to your representatives in Congress," the opining experts say to the citizens, "and be sure to follow the directions when Congress dispenses the bitter pills."

More often than not, the remedy of choice is socialized medicine. (That's the accurate designation and is usually avoided. For public consumption, the recommended palliative has brand-name labels such as "a nationwide health-care system.")

It would be nice to think that America *still* doesn't have a national health service after all these years (that's the way liberals intone it, looking mournfully across the Atlantic) because the American people have enough horse sense not to turn over something as important and intimate as their health care to pols and bureaucrats. Depressingly, though, it seems that a majority of Americans—close to three-quarters in one recent survey—think the feds *should* start up a national health-care program.

In fact, in an era when the public is otherwise willing to test the less-government tonic, various surveys show that lots of people, as the *National Journal* recently summarized the poll data, "will go along with just about any change [in health care delivery] that contributes to cost containment." Anything, that is, that they *think* will cut costs. And that includes everything from requiring patients to get second opinions on surgery to imposing government price controls on hospitals and doctors.

All this is based on the premise that health-care costs are out of line, out of control, and out of the hands of anyone—patients, providers, or payors—involved in the system. It's not clear that that premise ever was quite true, though, and there's increasing evidence that it's out of sync with current reality.

Consider some disparate bits and pieces of evidence:

- Hospitals absorb 40 cents out of every health-care dollar spent in the United States. In 1984, hospital costs rose only 4.5 percent, a whopping 56 percent less than the 10.2 percent rate of increase the year before.
- Part of the reason: hospital admissions dropped in 1984 by nearly 1.5 million—the first decline after decades of uninterrupted increases.
- Health costs are being shared more by patients. In 1984, 21 percent of the health plans for medium and large employers had deductibles of at least $150, up from 7 percent just two years earlier. And, as economic theory predicts and studies now confirm, when a third-party payor doesn't pick up the tab for everything, people exert more common-sense restraint over their demand for medical services (with, interestingly, no measurable ill effects).
- Doctors are increasingly signing on with alternative health-insurance programs that require them to accept payments up to 20 percent less than what they had been charging.
- Hospitals are beginning to look to discounts to attract more of the hospital patients in their communities.
- For years, governments, federal and state, tried to exert control over hospital costs by limiting purchases of high-cost, sophisticated diagnostic equipment so as to avoid duplication. Hospitals generally managed to get around the regulations. But now, the American Hospital Association reports that more hospitals are... you guessed it, sharing high-cost, sophisticated diagnostic equipment to save money.

What's happened in the health care market that everyone thought could only be restrained by controls imposed from above by government? Good old competition is part of the answer.

In 1960, there were 86 medical schools in the country, and they turned out 7,100 new doctors that year. By 1979, there were 125 schools, churning out 15,000 new doctors. However much the docs complain about what they deem an "oversupply" of their kind (and a lot of them complain a lot), the fact is that it's great for health consumers. It largely accounts for doctors going along with the new insurance programs that are trying to control costs and also has contributed to the health-care-delivery phenomenon of the decade: the growth of independent, stand-alone clinics, emergency-care facilities, surgery centers, and so on, which are widely hailed by experts as an efficiency-enhancing, cost-saving development.

Meanwhile, for-profit hospitals have been growing, injecting a healthy dose of competition in that sector, too. Between 1970 and 1980, for-profits boosted their share of the country's hospital capacity from 6 to 9 percent. And they're the leading edge in cost-saving innovations such as computerized patient charts.

But there's another new and important factor. Health insurance companies have finally decided to do something about the cost of medical care instead of just paying the bills and raising premiums when they needed to to cover the costs. The last few years have been marked by new kinds of plans that negotiate charges ahead of time with doctors and hospitals, mandatory second opinions to avoid unnecessary and marginally necessary procedures, incentives to reduce hospital use, and so on. It's activism unheard of since private health insurance started taking off in 1945.

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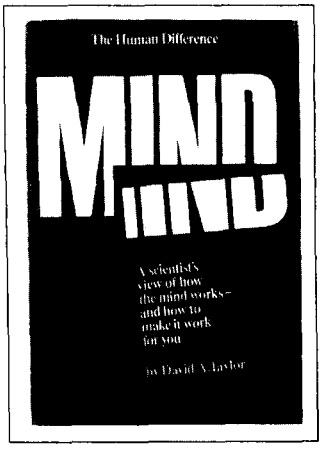

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Grigorenko, a former Red Army General, was a late-comer to liberty. In his memoirs, he describes how, as a youth, he was attracted by Communist slogans of freedom and brotherhood, how he excused Stalin's rule as a perversion of Lenin's noble ideals, and how he finally came to realize that terror and despotism are inherent attributes of the Soviet system. When he repeatedly denounced the system and took an open, active role in the human rights movement, he was arrested and spent years in Soviet psycho-prisons. Grigorenko's memoirs are extraordinarily interesting, both for their vivid portrayals of the Soviet establishment, and for their insights into the totalitarian mentality.

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Shield, for example, figures it saved subscribers $6 billion in 1984. And in May it announced unprecedented refunds of nearly $750 million because a sharp drop in hospital use had saved so much money.

Incredibly, some people persist in blathering the old saw that the medical market isn't like any other market. Vita Ostrander, for example, president of the 19-million member American Association of Retired Persons, got up before a conference on the future of Medicare this summer to criticize the Reagan administration's efforts to control Medicare costs by encouraging more competition in the medical market. "The health care marketplace," she charged, "resists the normal forces of supply and demand."

Maybe Ostrander can be excused. Economist Lester Thurow really ought to be ashamed of himself. In a piece written for the *New England Journal of Medicine* and picked up by *Harper's* recently, Thurow had to ignore the evidence of the last few years in order to allege that "insurance companies actually have an interest in increasing health-care spending, since they make money...by taking a management fee that is usually a percentage of total expenditures."

Apparently, the insurance companies are acting against their interests these days. As an economist, Thurow ought to know that doesn't fly as an explanation of anyone's behavior in the marketplace. But then, one has to wonder about his economic learning—in the same article, arguing against greater reliance on market mechanisms, he made this ludicrous statement: "Since the richest 20 percent of all U.S. households have 11 times as much income as the poorest 20 percent, any efficient market mechanism will give 11 times as much medical care to the top 20 percent as it gives to the bottom 20 percent." Do the top 20 percent also consume 11 times as much food as the poorest, drink 11 times as much water, buy 11 times as many cars? Of course not. This is an elementary economic principle that any Econ 101 student grasps in a flash.

So what does explain the fact that insurance companies for a long time *didn't* do anything about spiraling costs but now they are hopping to it? For one thing, world competition in all markets is forcing employers and, increasingly, even unions to look carefully at all costs, and health care accounts for a large chunk of employee benefits. So employers, the major purchasers of private health insurance, have goosed the insurance companies.

Another plausible factor—no doubt not to the liking of Lester Thurow and his fellow liberals—is offered by Clark Havighurst, a specialist in health-care legal issues, in his contribution to a new book from the American Enterprise Institute, *Incentives Vs. Controls in Health Policy*. It's actually government getting out of the picture that's done a lot to spur insurance companies to act, Havighurst suggests.

When a major cost-containment measure pushed by the Carter administration was defeated in 1979, he explains, employers and insurers alike began to give up on a long-held assumption that the government would sooner or later take regulatory action to get the situation under control. Then along came the Reagan administration, with reforms aimed at controlling the costs of its own programs, Medicare and Medicaid. The result, he notes, is that "both governments and private payers [began] for the first time to act as prudent buyers rather than as passive intermediaries."

There's still a lot of "price stickiness" afflicting the health-care market. As contributors to the AEI volume make clear, there's a lot of stepping aside that government could do to help competition make an even bigger difference to consumers than it has in the last few years. And if the opinion makers would just start bringing people up to speed on what's actually going on these days in the medical marketplace, the public could cure itself of the high-cost-therefore-government-action syndrome. Which would be great for the health of the body politic, given everything we already know about the bracing effects of competition—*even* on health care.

Bill Kauffman

Burning Flags

Not long ago the television news dutifully broadcast the rantings and ravings of some wild-eyed Third World pistol-wavers as they burned an American flag. This scene, whether played out in Teheran or Berkeley or Beirut, never fails to produce in me the desired effect—rage and Rambo fantasies. My blood pressure eventually returned to normal, as it always does, and I sat down to read a *Wall Street Journal* article about Salvador Laurel, the odds-on favorite to succeed Philippine dictator Ferdinand Marcos in the scheduled 1987 elections.

The *Journal* reported Laurel's obsequious efforts to ingratiate himself with American politicos. For instance, last year he anointed congressman and professional junketeer Rep. Stephen Solarz (D-N.Y.) as an honorary son of Batangas Province after the honorable solon speared "a tiny 10-centavo coin with a native dagger." Laurel recently took his traveling toady show on the road for a one-week run in our nation's capital, where he met with State Department pinstripers and Capitol Hill muckamucks.

For ambitious politicians scrambling to succeed the ailing Marcos, the *Journal* noted, "politicking in America is nearly as important as campaigning back home." Not to worry, for Laurel passed his test with flying colors. A congressional aide's verdict: "Eighty percent of Congress can live with Laurel."

Eighty percent of Congress can live with Laurel. Think about that for a minute. Why on earth should a politician from an island chain half way around the globe come slouching, hat in hand, to seek the blessing of our elected officials in Washington (a city that is now presumably awash in mutilated Filipino dimes)? Shouldn't Laurel be concerned about winning favor with Joe and Josephine Doe on Main Street, Philippines? Aren't *they* the ones who are going to have to "live with Laurel"? Have our representatives suffered a case of collective geographic amnesia?

The answer, alas, is that Washington has "vital interests" in the Philippines. President McKinley seized this Pacific island chain from Spanish colonialists in 1898 and, though the US government finally granted the Philippines independence in 1946, Uncle Sam keeps a

editorials

close watch on his former colony. Two large US military bases still grace the islands, and the US defense and intelligence communities take an active interest in the course of Filipino politics.

Salvador Laurel may be a fine man and a patriot. Perhaps he'll win the election and inaugurate an era of peace and freedom and good will toward all men in the Philippines. But I wish to hell that he didn't have to primp and prance before the likes of Stephen Solarz.

When American bureaucrats and statesmen see the world as a giant Risk board on which every move in every country affects our national interest and every dispute calls for American intervention and meddling, is it really so hard to understand why nationalistic foreigners burn our flag? To many Filipinos, the red, white, and blue doesn't stand for life, liberty, and the pursuit of happiness; instead, it's an ugly reminder of 85 years of American domination.

The innocent bystanders in all of this are the American people, most of whom don't give two hoots about Filipino politics. They wish the Filipino people well and would prefer to have peaceful relations with them, but they are quite willing to have the Philippine election decided in Manila, not on the Potomac. I sure haven't seen any Laurel for President posters on *my* block.

Not so long ago, America had a politician who understood these things. He realized that foreign interventions stirred up hatred and usually resulted in the loss of freedom for Americans, as well—via forced military service, repression of dissent, and increased government control of the economy. His name was Robert Taft; he was the leading Senate Republican in the 1940s and early 1950s; and he made the case as well as anyone ever has for minding our own business:

> Frankly, the American people don't want to rule the world, and we are not equipped to do it. Such imperialism is wholly foreign to our ideals of democracy and freedom. It is not our manifest destiny or our national destiny. We may think we are better than other peoples, more competent to rule, but will they think so?

I don't think Robert Taft would feel much at home in Washington today. ◻

quotable quotes

■ Our salvation lies in self-help. It is time to approach the needs of the black underclass from a different perspective, one that is cognizant of the existing strengths within the black community; one that recognizes the abilities and ingenuity of individuals and groups in handling their own affairs; one that keeps government intervention to a minimum. Those experiencing the problem should play a primary role in designing solutions regardless of their educational backgrounds. Above all, the black community must disentangle itself from the welfare professionals whose objective is to maintain clients. Those who purport to serve the black poor must be held accountable and must offer measurable programs for improving the conditions of the underclass. We must never forget that our ultimate goal is economic independence and self-sufficiency.

—Robert L. Woodson
Washington Post, May 12, 1985

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brickbats

Asking Seattle jeweler Ben Benton if he's got the right time could be a dangerous question. The shopkeeper is ticked off because a city council land-use committee says he needs formal permission to move or sell the clock that's been in front of his family's store for more than six decades. The clock was designated a historic landmark, although no one ever consulted Benton about it. If he moves the clock without the approval of the local honchos, he could face a stiff fine. Benton opposes the clock's designation as a landmark because "it's like taking something without paying for it. The city would like to tell me what I can or cannot do with my own personal property." Maybe Benton should consult a calendar. The state has been doing that since Big Ben ticked his first tock.

From our oldies but goodies file: Two decades ago, Hoosier state prudes found that the Kingsmen's drunken rock and roll classic "Louie, Louie" contained (shudder! gasp!) dirty lyrics, but only if you play the 45 rpm record at 33⅓ rpm. A righteous teenager brought this shocking news to the attention of the Indiana Broadcasters Association. That stalwart group asked radio stations to stop playing the song. Of course, no one questioned how someone listening to the radio could slow down the song. Not content with censorship at the local level, Indiana officials also complained to the Federal Communications Commission. But an FCC spokesman admitted that the agency couldn't find any dirty words. "As a matter of fact, we found the record to be unintelligible at any speed we played it."

The fun is over for the Bergen County, New Jersey, Fun Bus line. Officials voted to suspend the service, intended to transport residents to county parks, when it was discovered that the bus had been running almost empty for as long as three summers. The bus line costs the county $245 a day and runs from June 24 through the end of the summer. The bus picked up its first passenger of the season on July 18. "I would give that old lady $30 a week and tell her to take a cab," quipped one freeholder.

YOUR TAX DOLLARS AND YOUR CHILDREN'S TAX DOLLARS AND YOUR GRANDCHILDREN'S TAX DOLLARS AND YOUR GREAT-GRANDCHILDREN'S TAX DOLLARS AND YOUR GREAT-GREAT-GRANDCHILDREN'S TAX DOLLARS AND YOUR GREAT-GREAT-GREAT-GRANDCHILDREN'S TAX DOLLARS
AT WORK
SPENDING
DEFICIT

Rest in peace. Julian Dewey Hursey, Jr., has been arrested five times for napping in his pickup truck near the Daytona Beach, Florida, boardwalk. A local ordinance bans sleeping in public between 11:00 P.M. and 6:00 A.M. But Circuit Court Judge Robert Miller ruled that Hursey has the right to sleep wherever he parks the truck, so long as it's parked legally.

Philadelphia judge Alexander Macones dismissed murder charges against three men, including two who had been extradited from other states, because a prosecutor wasn't on time for a hearing. After lunch, the eminent jurist also dismissed murder charges against a Philadelphia man who police said confessed to a killing after being found covered with blood. Assistant District Attorney Roger King was in another courtroom down the hall when Macones turned the alleged murderers loose. "I made sure courtroom personnel told the judge I was busy with another case," says King. But when defense attorneys protested King's absence at the hearing, Macones dropped the charges. "How many bites of the apple does Mr. King want?" the robed idiot mumbled as he turned loose the three altar boys.

How many state workers are there in Massachusetts? It's anybody's guess. The exact figure is rather elusive, ranging from 75,000 to 95,500, depending on who's doing the counting. The question isn't just for trivia buffs. A 1 percent variance in the payroll estimates can mean as much as a $50 million difference in state costs. Surely, someone must know the exact number. "That's something we've always wondered ourselves," says Daryl Delano, chief of economic analysis and information for the US Department of Labor's Boston office. "There are many, many different payrolls around the state and no one has the ultimate responsibility for pulling that information together." Is it any wonder residents call it Tax-achusetts?

Austrian playwright Thomas Bernhard thinks his play is being censored by Salzburg officials. The script calls for 800 flies to sit on a dunghill on the stage. A health official ruled that the flies pose a health risk to the audience. The play could go ahead only if the theater guarantees that all 800 flies would be caught alive after each performance. Everyone's a critic.

—Mark Edward Crane

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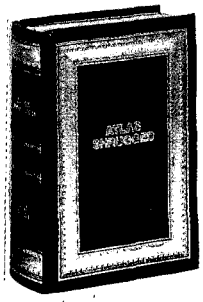
by Ayn Rand



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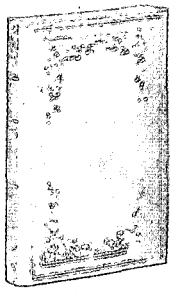

Over forty years ago a book was published that was destined to change the course of history. It was F.A. Hayek's THE ROAD TO SERFDOM, a breathtaking challenge to collectivism and the planned economy. It became so widely read and debated that it began to turn the intellectual tide, away from the infatuation with socialism, toward a belief in the free market. Laissez Faire Books has arranged with Professor Hayek to personally autograph a special edition—200 individually numbered copies—of THE ROAD TO SERFDOM. The book is beautifully bound in rich, burnt sienna topgrain cowhide. The gift of a lifetime.

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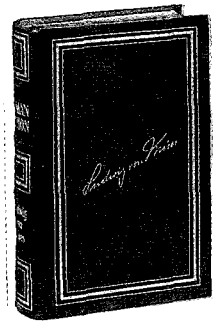

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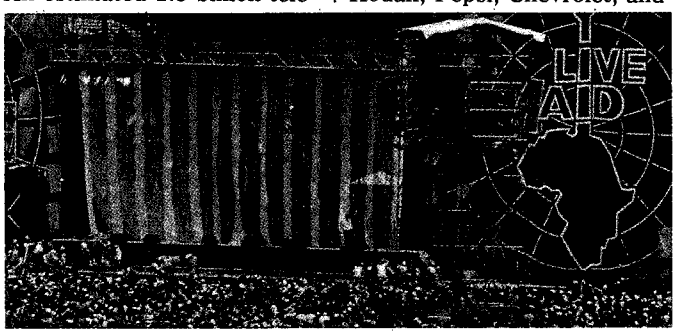
trends

Rock Concerts Set Records for Private Charity

"This is your Woodstock," the middle-aged folksinger Joan Baez chided the 160,000 Live Aid fans assembled in Philadelphia and London in mid-July. An estimated 1.5 billion television viewers around the world got their chance, too.



Well, no, Joan—not exactly. The 1969 concert in the sleepy burg of Bethel, New York, was a three-day orgy of Aquarian love and bad acid trips, memorable chiefly for that transcendent moment when guitarist Pete Townshend of The Who threw radical pest Abbie Hoffman off the stage. When Woodstock was over, a nice small town had been destroyed.

The Live Aid production, by contrast, lasted one peaceful day and netted $40 million to help feed starving people in Africa. Not that the children of the '80s don't have their share of troublemakers—although some people find them in the oddest guises. The *Los Angeles Times* fretted that "despite the gospel of charity being preached from the stage, the spirit of free enterprise" reared its ugly head, and Philadelphia's finest confiscated truckloads of pretzels, kielbasa, and t-shirts being sold by unlicensed vendors.

All the media blather surrounding Live Aid's "cultural significance" has obscured its real lesson—that private charity is possible on a massive scale, particularly when business gets into the act. Live Aid had four corporate sponsors—Eastman Kodak, Pepsi, Chevrolet, and AT&T—each of which donated $750,000 to the event. In return, the corporations received lots of commercial time and, more importantly, some priceless image polishing. As Pepsi vice-president John Costello told the *Wall Street Journal*, "Live Aid demonstrates that you can quickly develop marketing events that are good for companies, artists, and the cause."

And it looks as though Live Aid is just the beginning. Michael Mitchell, who coordinated the affair, is planning a 12-hour Christmas "mega-event" to benefit children's charities. Mitchell is confident that corporations will embrace charity as the wave of the future. "This family of man trip is no hype," he told the *Journal*. "It's the ultimate way to do business."

He's on to something. Corporations reap good will, organizers make a few bucks, fans and performers enjoy an afternoon of good music, and tens of millions of dollars are sent to malnourished individuals half way 'round the world. In one year, three African famine relief projects conceived and run by rock musicians—Band Aid, USA for Africa, and Live Aid—have raised more than $70 million. Those who despair for the future of the human race should take note.

Treating Heroin Addicts in a Different Vein

As the trend toward privatization catches on, entrepreneurs are finding ways to provide services traditionally confined to the monopolistic domain of the government. Seattle's two major methadone clinics, which try to get addicts off heroin by substituting the less-damaging methadone, now face a new competitor: the Federal Way Clinic, the state's first for-profit methadone clinic.

"In less than seven months," the *Seattle Times* reported recently, "the Federal Way Clinic has become the state's largest methadone center." The clinic currently has about 430 clients, "twice what the clinic's founders estimated they would need to break even. They forecast a 10-15 percent profit margin in the not-too-distant future."

How does for-profit methadone treatment compare? Not surprisingly, the private clinic has chosen not to impose on its clients many of the rules that the state-subsidized clinics are obliged or choose to follow. (It does meet federal regulations governing such centers.) The goal is still for clients to work toward a drug-free life, but more responsibility falls on the clients themselves to decide when it's time to quit.

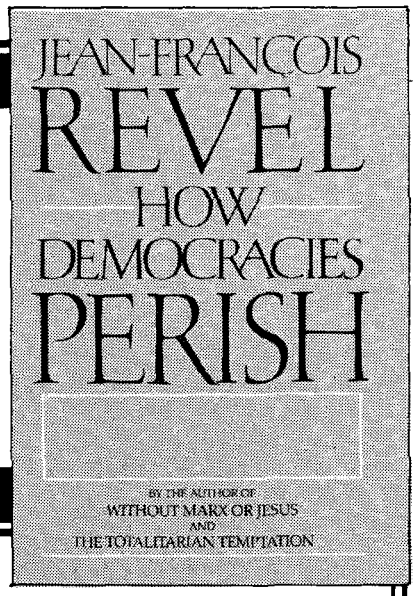
Counseling is available but not required (as it is in Seattle's other two clinics). Douglas Anglin, a psychology professor at UCLA who has studied the effectiveness of various methadone treatments in rehabilitating users, states that "rehabilitation, which is the most expensive part of methadone maintenance, has never been shown to produce any overall change for addicts as a group."

Critics claim that the private center lures users by simply dangling more methadone in front of them. But Anglin found that higher dosages and liberal rules are actually *more* effective than the restrictive dosages and tight rules favored by state-supported clinics. Furthermore, Bill Quick, chief of Washington state's Office of Drug Abuse Prevention, has monitored Federal Way Clinic and concluded that the program is well controlled. "We haven't found any evidence of inappropriate treatment, or inappropriate prescriptions of medication," he told the *Seattle Times*.

Clients like it better, too. Many have transferred from state clinics to Federal Way and now pay $130 a month for methadone they had previously been getting for free. As one client explained the switch, he gets "respect" at the private center that was missing at the government-subsidized clinic. And the for-profit center is open all day, not just in the morning.

The Federal Way Clinic is not an isolated case. Owner Galen Rogers and his partner run 13 other for-profit metha-

This is the book Jeane Kirkpatrick quoted in her stirring address to the Republican convention



Do you remember her words? "The American people know that it is dangerous to blame ourselves for terrible problems we didn't cause. They understand, just as the distinguished French writer, Jean-Francois Revel, understands the danger of endless self-criticism and self-denigration. He wrote: 'Clearly, a civilization that feels guilty for everything it is and does will lack the energy and conviction to defend itself.' "

That, briefly, is the kernel of this classic study of Western malaise. The Kremlin is playing the liberal West like a fiddle. Revel expands his analysis with several key points:

- ☐ Liberal democracies are *by nature* flabby. If liberal intellectuals hesitate to admit this — well, the Communists are in no hurry to embarrass them.
- ☐ Soviet disinformation seeks out the soft spots in our liberals. And finds them, all the time.
- ☐ Revel analyzes the soft spots, shows *how* the Soviets zero in on them.
- ☐ How the Communists plot — yes, *plot* — for world domination. Why they've been winning ever since Yalta.
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But shouldn't we take comfort from the internal problems of the Soviets? Revel calls this an illusion. *One* of us, he points out, will collapse first. But we fail to exploit Communist weaknesses. They not only exploit ours, they *cause* some of them.

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done centers in the West and Midwest, with two more scheduled to open soon in Chicago and Fort Worth.

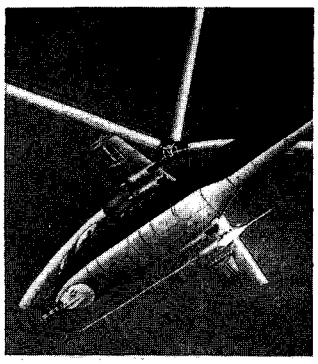
Government-subsidized centers may have little choice but to take a feather from the private clinics' cap. One Seattle center's director admits that clinics like his must learn from their new competition, especially in marketing. "We should become more self-sufficient and less dependent on the public dollar." Treatment of clients will likely improve as well. Adds the director, "We ought to start treating them like adults."

Want to Drive Daniel Ortega Crazy?

Congressional and administration hawks keep trying to give taxpayers' money to the Contras battling the Marxist-Leninist government in Nicaragua. But now some Contra sympathizers in the United States are putting their money where their mouths are.

The Nicaraguan Democratic Force (FDN)—the largest Contra group, with some 15,000-20,000 troops in the field—has raised as much as $10 million in donations from private individuals in the United States. This private aid, coupled with assistance from foreign governments, has reportedly made the Contras a real threat to the Sandinista government for the first time since they took to the fields four years ago.

Though direct military aid from US citizens to foreign belligerents is prohibited by the Neutrality Acts, individuals can contribute money for ostensibly humanitarian purposes. One Contra supporter, Mrs. Ellen Garwood



of Austin, Texas, recently put up $65,000 toward the purchase of a $100,000 medical evacuation helicopter for the FDN, according to the *New York Times*. The "Lady Ellen," as the helicopter was christened, is but one example of private support of these Central American rebels.

There are others. A dozen Soviet-supplied M-24 helicopter gunships (the scourge of the Afghan rebels, too) are now in the employ of the Sandinista army. But the hardy anticommunists at *Soldier of Fortune* magazine are offering a $1-million reward to any Nicaraguan pilot who defects with one of these high-tech choppers.

American fans of the Contras are proving that private citizens will respond to requests for assistance from democratic insurgents fighting oppressive governments. If only there weren't so many...

Court Programs First Amendment For Cable TV

First Amendment protection of cable TV was expanded by a recent federal-court ruling that calls into question fundamental areas of cable regulation. The decision, handed down by a US Court of Appeals, struck down a Federal Communications Commission rule that required cable operators to carry the programs of TV stations that broadcast in their areas and to do so without charging the stations.

The FCC's "must-carry" rule, the court judged, violated cable operators' First Amendment rights by in effect dictating their programming content. The decision reinforces an earlier ruling this year, also by a US Court of Appeals (the nation's second-highest level of courts) that upheld cable-TV operators' First Amendment rights, saying that cable businesses are like newspaper businesses and therefore should enjoy the same protections.

Removing government control of an important means of expression would in itself be cause to celebrate. But if cable's regulatory restraints are peeled away, consumers have another reason to cheer: the prospect of lower subscription fees. Attorney Clint Bolick of the Mountain States Legal Foundation has estimated that it costs cable operators, on average, about $6.00 per subscriber to comply with various regulations.

According to many analysts, the recent Appeals Court decision on the must-carry rule casts strong doubt on the validity of a wide range of cable regulation. "If the view that cable operators should enjoy the same First Amendment rights as newspaper publishers ultimately prevails," the *New York Times*'s Stuart Taylor, Jr., wrote, "all governmental regulation of cable programming could be swept aside."

In fact, in court cases pending throughout the nation, local governments' routine practice of awarding exclusive (monopoly) cable franchises, and of exacting various fees and programming requirements from the franchisees in exchange, are being contested on First Amendment grounds. In January, for example, a federal court is slated to try a cable company's lawsuit against the city of Sacramento, California, on First Amendment grounds.

The company, Pacific West, is contesting the city's refusal to allow it to set up cable service without a franchise license. If Pacific West wins its suit, says Thomas W. Hazlett, an economist and an expert witness for the firm in the case, "cable monopolies throughout the country will literally be up for grabs."

The Road to Ethiopia Is Paved With Good Intentions

The reflexive response to the tragic and heart-rending famine plaguing Africa is to call for more foreign aid to African governments. Yet this balm to troubled Western consciences is likely to have the opposite of its intended effect. Some courageous policy analysts from across the political spectrum are arguing that well-intentioned assistance actually enfeebles African economies and guarantees them an even bleaker future.

For example, a new report by Alan R. Waters, formerly a chief economist with the US Agency for International Development (AID), maintains that "aid may be a major culprit contributing to Africa's anguish." Building on the work of path-breaking development economist P. T. Bauer, Waters argues in a report for the Washington, D.C.-based Heritage Foundation that foreign aid is "inherently bad."

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This may sound heartless, but Waters charts the effects: "It retards the process of economic growth and the accumulation of wealth; it weakens the coordinating effect of the market process; it pulls entrepreneurship and intellectual capital into nonproductive and administrative activities; it creates a moral ethical tone which denies the hard task of wealth creation."

Though emergency food assistance has a salutary effect (and can be provided privately—see "Rock Concerts" above), Waters charges that all other forms of foreign aid are insidious and allow African governments to postpone making necessary, radical economic reforms—abolition of agricultural price controls and state-sponsored monopolies, encouragement of African entrepreneurs, and decentralized political power.

A critique of foreign aid from a quite different perspective recently appeared in the *Atlantic Monthly*. Jack Shepherd, senior associate at the Carnegie Endowment for International Peace and a specialist on food aid in Africa, rejects the efforts by African bureaucrats to lay the blame for their continent's dire straits solely on Western shoulders.

Shepherd notes that a confluence of unfortunate events—including African government policies that have "promoted industrialization at the expense of food production" and harmful Western food aid—have placed Africa in its desperate position. (How desperate? Shepherd reports that 150 million Africans from 26 nations are in need of emergency food aid.)

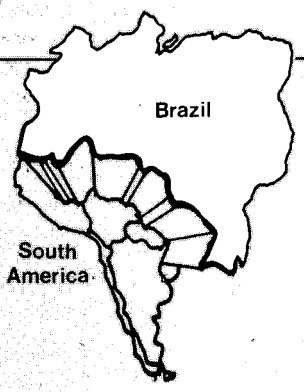
Shepherd adduces some damning evidence. While the West poured $22.5 billion in development aid into sub-Saharan Africa in the 1970s, per capita food production in that region fell by an average of 1.2 percent a year during the decade. Much of this Western aid never reached those for whom it was intended—Shepherd notes that of the $7.5 billion given to eight West African nations during the '70s, only 12 percent reached rural areas. The preponderance of Western aid is spent foolishly by African governments on what the World Bank calls "white elephants"—large-scale projects that enhance politicians' prestige but have exceedingly low rates of return.

Shepherd is sharply critical of the US government's food aid policy, which, he notes, was actually "initiated to get rid of this nation's seemingly endless agricultural surpluses." And it's not emergency food aid that's at issue, he notes. Some 30 percent of all food aid to Africa is long-term, "project" food aid, which tends to "depress farm prices in the aid area, not reach those who need food most, promote shifts in food-consumption patterns away from local foods to imported foods, encourage dependence on make-work and food handouts, and reduce the incentive of recipient African nations to develop and carry out agricultural-policy reforms."

The US response to the crisis in Africa will have long-term effects on the future of that struggling con-

global trends

Brazilian Jocks Get Private Support



BRAZIL—For as long as anyone can remember, amateur sports in Brazil have been promoted by the government, mainly the Ministry of Education and Culture and its local offices. Except for soccer and basketball, which are sponsored by professional ball clubs and social clubs, amateur sports have always been assumed to be a proper object of government handouts. The idea that they could be financed by private means was not credible.

The decades-long effort at state-sponsored sports has produced meager results, however. Brazilians have won only a few Olympic medals, mostly bronze, and these have been due more to outstanding individual achievements than to the effectiveness of government programs.

Meanwhile, generations of sports bureaucrats have grown fat on government funds. Predictably, as Brazilian sportsmen failed to become supermen, more money was appropriated, more staff hired, more office space rented or built, more regulations written, and new programs created. One Education Minister went so far as seriously to suggest that Brazil send a group of Amazon Indians to international track meets—he had heard that these people were adept at running quickly through the jungle; they should, therefore, run even faster on modern tracks.

Good athletes were never produced in the government's sports factories, nor were crowds attracted to sports arenas. Amateur sports were not taken seriously and, to make matters worse, tiny archrival Cuba regularly beat Brazilian teams in sports competitions.

Over the last eight years, all this has been changing, thanks to private-enterprise funding and support. Since 1977, several multinational corporations have been sponsoring teams and athletes in different sports, from men's and women's volleyball to boxing. Other businesses have followed suit, and the number of teams and athletes involved has skyrocketed. Crowds have flocked to the arenas, and almost overnight a whole new market has been created, especially for television networks and advertisers.

Amateur sports have made spectacular progress. For example, the men's volleyball team, previously considered "too slow," now regularly defeats the Cubans and has even downed the mighty Soviets on several occasions. And at last year's Olympic games in Los Angeles, the quick and elegant Brazilians beat the US squad in the quarterfinals before losing to the same American team in the gold medal game.

By virtue of their international successes, amateur sportsmen and sportswomen have become national celebrities who add to their in-

(Continued on page 18)

How to Overcome Your Fear of Public Speaking, Flying and Other Phobias in Minutes

You Can Now Cure Your Phobias and Fears in Five Minutes or Less with Powerful New Treatment Praised by Prominent Doctors

Your heart is pounding, your palms are sweaty, and the old self confidence that got you this far in life has suddenly disappeared.

You are about to make a speech to a group of people in your industry. You thought you knew exactly what you wanted to say. And it sounded fine when you rehearsed it at home. But somehow you know it's not working. You can tell you are losing your audience with each word you say. This feeling is devastating to those who fear public speaking the most. Sound familiar?

If so, you have plenty of company. The most common fear is speaking before a group. According to a survey published in Current Opinion, Americans are more afraid of public speaking than illness, poverty, and even death.

Any fear, when it is intense enough that it controls actions and behavior to any degree is considered a phobia by professionals.

Phobias are the number one mental health problem in this country today, according to the most comprehensive survey of mental illness ever done. The experts indicate nearly one in seven people have a phobia. However, overcoming a phobia has always been the toughest of all disorders to treat according to Dr. Darrel A. Regier, who headed the survey for the National Institute of Mental Health.

Phobias and fears so severe they control your life can take many forms. Flying, the second most common phobia, affects over 20,000,000 Americans according to a study done by Boeing. Other phobias include: heights, tunnels, elevators, open places, moving, impotence, animals, telephones, crowds, darkness, disease, ghosts, insects. There are presently 178 known phobias. And new ones are being identified all the time.

You no longer need to suffer. A new book, FIVE MINUTE PHOBIA CURE by Roger J. Callahan, Ph.D. provides the help you need.

The author suffered himself from phobias for many years. He was a phobic child. Even his doctoral dissertation was on childhood phobias. His search led to the Five Minute Cure which has produced dramatic results with over 1,000 phobics successfully treated over a five year period, with an 85% success rate. Dr. Callahan has been able to affect these cures safely and painlessly, and without drugs of any kind. Imagine—no more months or even years of painful and expensive treatment. It's no wonder many phobia sufferers try traditional treatment for a brief time and then give up in frustration.

What Doctors Say

"Five Minute Phobia Cure has been responsible for restoring normal lives to those who have been restricted and crippled by phobias." *Harvey M. Ross, M.D. Author of* Fighting Depression and Hypoglycemia *Los Angeles, CA*

"Having utilized Dr. Callahan's treatment with my own therapy clients, I am overwhelmingly impressed by its speed and effectiveness—far surpassing any phobia treatment of which I have knowledge." *Nathaniel Branden, Ph.D. Author of* Disowned Self and Romantic Love *Beverly Hills, CA*

"My patient had severe phobic response to dust and contamination for 35 years. Engaged in compulsive hand washing, clothing, surroundings 10-12 hours a day. Five Minute Treatment cured her." *Joyce Shulman, Ph.D. Beverly Hills, CA*

"Have found results of Dr. Callahan's . . . technique amazing. Patients leave office feeling euphoric. Extremely valuable technique for all members of the health care community." *Dr. James D. Hogg Rock Island, IL*

"These techniques for the treatment of phobias will undoubtedly require psychologists to re-examine our theoretical understanding." *Lawrence Onodo, Ph.D. Reseda, CA*

"Revolutionary treatment for phobias and tremendous adjunct to other therapies presently in use." *Luanne Ruona, M.D. Psychiatrist Author of* Total Glow *Washington, D.C.*

What Others Say

Public Speaking. "Was terrified of speaking. Now able to address executives without fear." *Vaughn E. Kraft Anaheim, CA*

Flying. "Flew home . . . took 10 hours . . . no longer feel nervous about flying." *Vicki Blair Perthshire, Scotland*

Elevator. "Tested results on elevator—feel none of the usual anxiety." *Linda Hall Long Beach, CA*

Heights. "Feared heights since childhood. Now able to look out a 9th story window without fear." *William Perry Anaheim, CA*

Water. "Was fearful of water. Was treated psychologically for 1½ years without change. Five Minute Treatment cured me at once." *Mary Ford Los Angeles, CA*

Spiders. "Had severe fear of spiders since childhood. After treatment could even play with toy spiders." *Deborah George Southfield, MI*

Heights. "After five minutes, my life long fear simply vanished." *Karl Hess Kearneysville, WVA*

Yes, the great news is that you don't have to live with your phobia any more. You don't have to suffer the rest of your life in silence. This incredible new cure takes only a few minutes and is totally painless! The publishers are so sure it will work for you that they offer a 100% money back guarantee on your modest investment.

And, it certainly appears the cure is lasting. Years have passed since Dr. Callahan treated his first patient. Those he still is in contact with show no recurrence of their phobias.

The book shows you the step-by-step procedures. It is completely illustrated. You can do it yourself, or a friend or loved one can do it for you, or you for them. The FIVE MINUTE PHOBIA CURE is also safe and painless. And no expensive or possibly dangerous drugs of any kind are required.

Don't suffer any longer. Order now!

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tinent. Waters and Shepherd articulate a growing recognition of past mistakes. Whether the designers or current policy will heed the warnings remains to be seen.

Power Stations: Some Like Them Competitive

For years, electric utilities have stood above the fray in the deregulation debate. No more.

The heavily regulated industry is "heading for a free-for-all," according to *Business Week* magazine. Many utility companies are generating far more power than their projected needs and have taken to selling this excess capacity outside their home markets, precipitating mini rate wars in the wholesale power field. In addition, *Business Week* notes, industries that once purchased power from these utilities will over the next 15 years double the amount they generate for themselves by "cogeneration"—and add the equivalent of 20 private nuclear power plants to the system.

As industries increase their self-generating power capacity, public electric utilities may become obsolete. In Maine, for instance, several industrial manufacturers are now selling excess self-generated electricity to Central Maine Power (CMP). According to *Forbes* magazine, by 1990 a full 20 percent of CMP's power may come from independent sources, eliminating the need to construct costly new power plants. In fact, *Forbes* speculates, utilities like CMP "may eventually (be) reduced to little more than a nonprofit distribution network."

For once, a federal regulatory agency seems determined not to stand in the way of competition. *Business Week* reports that Ray O'Connor, the market-minded chairman of the Federal Energy Regulatory Commission (FERC), is examining the deregulatory lessons provided by the transportation, telecommunications, and banking industries to see how they might be applied to electric power generation. O'Connor is pleased with the new infusion of competition into the utility field. "Risk and uncertainty now seem to be the new buzzwords" in the business, he notes approvingly.

Of course, most of the attention these days is focused on deregulating the *generation* of electric power, not its distribution. Yet as a REASON investigation way back in October 1981 showed ("Two Utilities Are Better Than One"), competition between electric utilities is no mere figment of some feverish free-market economist's imagination. It actually exists in (as of today) 32 communities. And as University of Illinois professor Walter J. Primeaux observes in a chapter of the Reason Foundation's new book, *Unnatural Monopolies*, "direct competition in electric utility markets leads to substantial benefits for consumers."

Slowly but steadily, market ideas are infiltrating even the electric utility industry. The

global trends

(Continued from page 16)
comes by advertising products on television.

The Olympic silver medal for men's volleyball won at Los Angeles in the summer of 1984 was the beginning of a Brazilian athletic renaissance. More significant, perhaps, is the public's perception that this bright future is due to private enterprise.

—José Italo Stelle

What Mitterrand Hath Wrought, the Right May Rend

PARIS—Just four years after President François Mitterrand and his Socialists nationalized much of France's industry and banking, the government appears to be on the verge of reversing itself and selling the businesses back to private investors. The nationalization binge of 1981 "has given France the largest state sector among industrialized countries outside the Communist world," noted a recent *New York Times* report. Caught in the state's grip is a wide array of industrial groups, including major producers of steel, computers, chemicals, and armaments. Banking, insurance, transportation, communication, and other service industries were nationalized as well.

The result? The nationalized sector's deficit shot up nearly *2,000 percent* between 1980 and 1982, rising from 1.9 billion francs in 1980 to 39.1 billion francs in 1982 and dipping only slightly—to 36 billion francs—last year.

The frightening size and glaring inefficiency of state enterprises have forced the nationalization debate back into the political limelight. Confident that next spring's parliamentary elections will return them to power, the two largest right-wing opposition parties have committed themselves, in a joint economic platform, to a radical and far-reaching liberalization of France's economy: not only the sale of nationalized industries back to private investors, but extensive deregulation, annual tax cuts, and spending reductions. Other proposed reforms include removing wage and price controls, reducing the power of the civil service, and developing self-financed universities that—wonders!—would *compete* for students' francs.

The Socialists, meanwhile, are watching the polls, which indicate that the opposition may win easily in the 1986 elections. While the government looks the other way, nationalized companies are raising capital from private investors, buying and selling subsidiaries according to their own business strategies, and otherwise acting like profit-making entities.

The government, noted the *Times*, "can no longer afford to pay for the losses of state-owned companies or provide fresh capital." So Prime Minister Laurent Fabius has told heads of nationalized companies to get in the black or get fired. The Finance Ministry, meanwhile, is also scrambling to find ways to ease competition back into the financial markets.

The Communists, predictably, oppose all efforts to denationalize. But no one's listening. The opposition parties are sounding free-market themes in order to regain control of the French National Assembly; the Socialists are trying not to look like socialists. Next spring's election may well deliver a resounding thumbs-down verdict on nationalization.

ultimate winner in all of this, as in other deregulated industries, will be the nation's freemen.

If Info Is Needed, Is the Market Up to it?

Diverse examples put the lie to one of the standard rationales for government intervention in markets. It doesn't pay for anyone to provide some types of goods and services, the conventional thinking goes, so if they are essential to the smooth functioning of the market, the government must step in to provide them. Information is said to be a prime example. But a closer look is informative.

Take, for example, a case from broadcast television. In a major deregulatory move last year, the Federal Communications Commission (FCC) abolished rules governing the amount of news, local programming, and commercials carried by TV stations. So broadcasters are no longer required to keep a complete log of what they air.

This deregulation has, depending on how you look at it, left TV advertisers without a vital necessity—or opened up a great opportunity for entrepreneurs. TV advertisers used to be able to easily monitor the airing of their commercials by going through stations' programming logs—but no more.

What's an advertiser to do? Recognizing a market opportunity, Burton Greenberg, a director of TV commercials, has started up a service to monitor ad broadcasts and sell the service to advertisers. He plans for his Tele-Scan, Inc., to use a new method to monitor broadcasts: advertisers encode their TV ads with an electronic digital code, which is read by a computer when the ad is broadcast.

With advertisers paying TV stations $20 billion a year for some 130 million ad slots, Greenberg is certainly on to potential big business—and he won't be alone. According to *Business Week* magazine, at least two other firms are planning to start ad-monitoring services, including A. C. Nielsen, the marketing giant that rates TV programs.

Another example of how the market responds to information needs is the bank-rating business. Again, the average consumer isn't affected directly at all, but the information is needed for the market to function smoothly.

Investment institutions often lend money on a short-term basis to banks—but before they do, they like to know whether the banks are creditworthy. Enter bank-rating services, which function like services (such as Moody's) that rate corporate and municipal bonds.

Bank Watch, a service offered by the firm Keefe, Bruyette & Woods, rates the country's 300 largest banks and a number of savings-and-loans, as well as 100 foreign banks. Its 650 subscribers include money market funds, cash-rich corporations, and insurance companies.

Some people in the industry worry because Keefe also makes investments itself, raising conflict-of-interest questions. But the market is responding to that,

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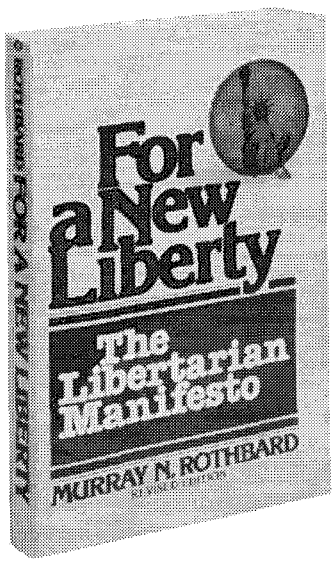

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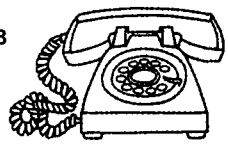

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too. Several of the more conventional credit-rating firms, which don't trade in securities, are getting into the business.

Can the market provide information? Hey—no problem!

A Development-al Approach to Child Care

As more and more women are choosing to work outside their homes, concern over child care is taking a high place on the growing roster of "women's issues"—with increasing calls for government (that is, taxpayers) to step in and help provide such care. Against this approach, witness the workings of the market: a Florida developer is creating a whole project in Coconut Creek centered around and catering to the lifestyles of working parents and their children.

When it is entirely finished in two years, Cenvill Development Corp.'s $40-million, 820-unit Centura Parc townhouse project will include 10 child-care centers, offering day care, after-school care, and an evening baby-sitting service. A parents' council and an 11-member board of professionals will advise the centers' staffs.

Cenvill has conceived the 164-acre private community with both parent and child in mind. The townhouses' patios, for instance, are enclosed, and the kitchen counters have rounded corners. The overall layout is arranged so that children don't have to cross any streets to go to the closest playground or care center.

For parents, a whole range of courses for adults is planned, including, for example, parent education and aerobics. Such activities are to take place in a community "club house," a complex of meeting rooms, exercise facilities, bar, and other places for social gatherings.

As far as Centura Parc's developers know, the project—whose units are priced from $56,000 to $81,000—is the only one of its kind thus far, and it's viewed as a testing of the demand for such a package. Whether or not it catches on, it provides a small illustration of the way entrepreneurs in a market system search for ways to meet people's needs.

Free Market for Water: An Idea That's No Longer All Wet

In a move described by the *Los Angeles Times* as "a landmark turnaround," the L.A. Department of Water and Power has proposed to start raising water rates during the summer, when the demand for water is highest. Strongly backed by environmental groups, the seasonal-pricing plan is the government agency's first try at establishing a long-range water-conservation program.

The proposal must go through several rounds of hearings and a series of votes by various government authorities before the L.A. City Council decides its fate later this year. But it is one indication of a growing interest in a market approach to supplying water-short California with this much-needed resource.

Historically, water has been developed in California at federal and state government expense and supplied to users at hugely subsidized prices. The predictable results have been overuse of a scarce resource, lots of political logrolling, and evermore proposals for high-cost water projects.

Things have changed, though, ever since California's voters turned down the multi-billion-dollar Peripheral Canal project in 1982 (see "Billions Down the Drain," by William Tucker, REASON, June 1982). Much of the talk these days is about how a free market for water could alleviate many of the state's water problems.

And it isn't all just talk. Two Southern California water agencies, the Imperial Irrigation District and the Metropolitan Water District, have agreed to an annual arrangement for the MWD to pay Imperial $10 million for 100,000 acre-feet of water. And Colorado water authorities are now considering selling some of the water from the Colorado River to users in California, Arizona, and Nevada. Only a year ago, these officials were among those who had put the kibosh on a plan to sell Colorado River water to Californians.

Bolstering the case for market allocation of water was a recent report prepared for the California legislature by researchers at the University of California at Davis and the Hastings College of Law. The report demonstrated that (dry) southern California could purchase large amounts of water from (wet) northern California and thereby avoid the huge costs of new water projects. In one example, the researchers showed how farmers enjoying a water surplus in one county could sell water to farmers in another county and make $2.8 million on the deal, while the water-poor farmers would avoid having to develop new sources. Net savings: $2.4 million.

A 1982 state law permits such buying and selling of water, the report noted. But in a complex system governing the rights to subsidized water, individual users and water districts alike are reluctant to sell any. By doing so, they fear, they will give up their water entitlements, even though the new law specifically removes that risk. So many individuals and agencies with rights to water waste much of it—by growing marginal crops, for instance.

A contingent of lawmakers in the state assembly is working to publicize the ideas of the UC Davis-Hastings College report, "Water Trading: Free Market Benefits for Exporters and Importers." If the ideas seep into common practice, everybody—taxpayers and water users alike—stands to come out ahead.

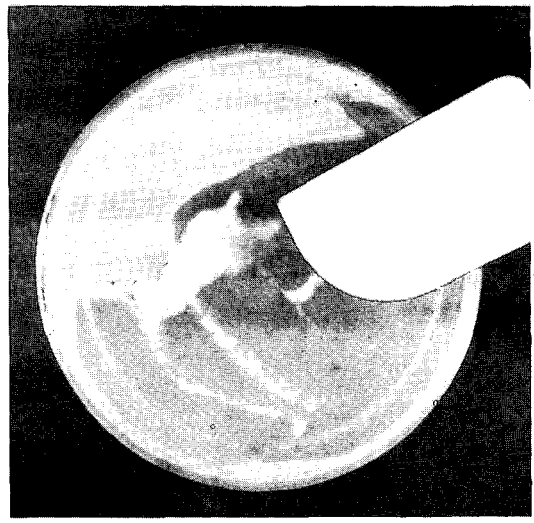
Milestones

■ *Ban handguns? No.* A recent Gallup poll showed that a majority of Americans opposes banning the sale and possession of handguns in their city or community. Fifty-six percent of those who responded to the poll oppose such measures.

■ *Buggier bests state.* A federal-court judge ruled that the First Amendment religious-freedom clause protects the right of the Amish not to display bright-orange warning signs on their horse-drawn buggies. The judge sided with an Amish farmer in Kentucky who had been fined for not having the sign on his buggy. The buggier argued that his religion forbids adherents from displaying both bright colors and symbols of the state's authority.

—Robert W. Poole, Jr., Lucy Braun, Bill Kauffman, and Eric Martí

Fear and Loathing of Biotech's Bright Future


ADVANCED GENETIC SCIENCES

Genetic engineering promises wonder drugs, miracle cures, and safe alternatives to deadly pesticides — so why does Jeremy Rifkin want to outlaw designer genes?

Beloved Uncle Harry was diagnosed six months ago as having colorectal cancer, the second most common type of cancer among males in America. Had the disease struck him back in 1985, his chances for long-term survival would have been slim. He would have undergone a brutal regimen of chemotherapy and radiation treatment. He would have suffered months of excruciating pain and debilitation. Abdominal surgery to remove the tumor might have been possible, but even if successful, there was a very good chance that he would have had to endure for the rest of his life the discomfort and embarrassment of a colostomy bag, to collect his body's wastes externally. But today, in the 1990s, biotechnology offers a whole range of new and far less invasive therapies than were available only 10 years ago.

Uncle Harry's tumor was detected early through the use of a monoclonal antibody diagnostic test, one of the wondrous fruits of biotech research. His doctors immediately began treating him as an outpatient with tumor necrosis factor (TNF), another biotech product. Within weeks, Uncle Harry's life-threatening tumor died and disappeared. To prevent a recurrence of the disease, he was vaccinated with an anti-idiopathic cancer vaccine, which biotechnicians created from his own tumor cells. The vaccine gets his body to manufacture antibodies that vigilantly patrol his bloodstream, ready to kill any new tumor cells that may develop. Now, six months after treatment of his cancer began, Uncle Harry is as clinically healthy as before, and he missed only a couple of weeks at work and experienced only minor discomfort.

* * *

Joe Green truck farms potatoes on the Delmarva Peninsula on the Atlantic seaboard. His latest crop is just about ready for harvesting, but the meteorological service is predicting that unseasonably cold weather will strike the area during the night.

by Ronald Bailey

Although he's concerned, Joe hopes that the new P. syringae *bacteria that he sprayed on his potatoes earlier in the growing season will perform as advertised. His periodic field tests have shown that the ordinary frost-enhancing* P. syringae *have largely been replaced by the new, ice-resistant variety.*

Joe remembers all too well how he almost went under five years ago, when an early frost destroyed his whole crop and he was nearly unable to keep up payments on his farm equipment. That same year, the price of potatoes almost doubled in the grocery stores because the early onset of cold weather had destroyed much of the supply.

Joe wakes up in the morning anxious to see how his crop has stood up to the below-freezing temperatures. As he walks through the fields, he finds only minimal frost damage. His potatoes will have the week that they need to grow to marketable size, and his financial situation should be excellent. His neighbor Mike Smith, who is skeptical of these newfangled techniques, lost nearly half his crop in the overnight cold snap.

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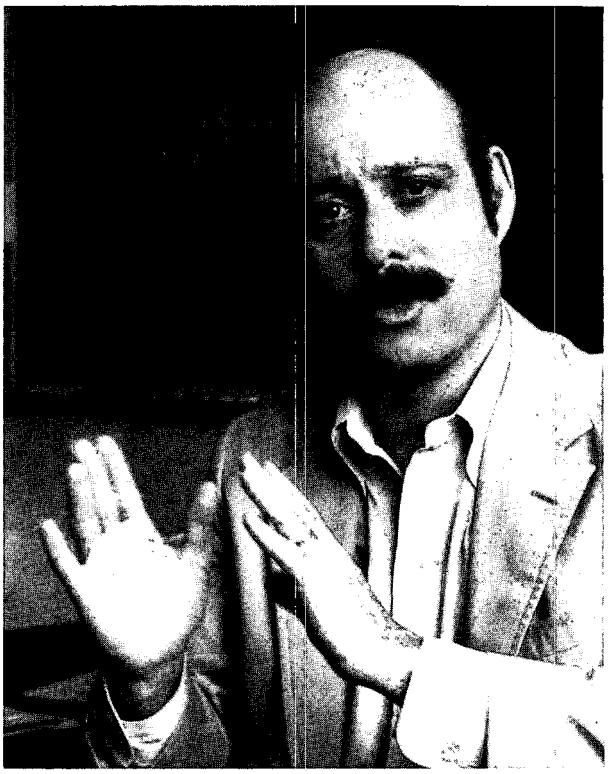


GWENDOLYN STEWART

Jeremy Rifkin: His goal is not to regulate biotech but to ban it altogether.

Neither of the situations described above has happened yet, but by the end of this century such wonders could be pouring forth from America's biotechnology industry—cures for cancer, better vaccines, more efficient and nutritious food plants and animals, and much more.

Already, researchers are using genetic-engineering techniques to produce monoclonal antibodies, which detect the presence of disease by binding very specifically to characteristic proteins. The San Francisco biotech firm Genentech has just recently cloned genes that make tumor necrosis factor, which kills tumor cells. Medical researcher Heinz Kohler of Roswell Park Memorial Institute in Buffalo, New York, is developing an anti-idiopathic cancer vaccine. Scientists at the University of California at Berkeley and the biotech company Advanced Genetic Sciences, Inc., have already modified *P. syringae* bacteria to eliminate their tendency to promote ice crystals on the plants that they inhabit. These genetically engineered bacteria alone could save billions of dollars of crops lost to frost damage each year.

But there are people who don't want any of this to happen, who don't want those Uncle Harry and Joe Green scenarios—and many others like them that we can't even imagine yet—to come true. The most fervent and prominent opponent of the infant industry of biotech is one Jeremy Rifkin, a Washington, D.C., political activist and writer.

From a tiny suite of offices near Dupont Circle in downtown D.C., Rifkin has ambitiously set out to stop biotechnology cold in its tracks. He shows up relentlessly at federal regulatory hearings, and he has launched a number of successful lawsuits against biotechnology scientists and companies. He is a star witness for journalists and broadcasters, for whom his portentous criticisms of biotechnology provide the dramatic counterbalance to reports of biotech progress.

Earlier this year, I spoke with Rifkin in the cramped confines of his Washington offices, wanting to get both a sense of this man and a clearer view of his opposition to biotechnology. Compactly built, fortyish, balding, and sporting a bushy black mustache, Rifkin dresses in a style one might call "academic-casual." Despite a pronounced tendency to lecture, he is very personable—an engaging conversationalist whose eyes constantly gauge the effect of his words on his listener. As we talked, he sat calm and relaxed, quite evidently at ease in his familiar role as biotechnology's most prominent critic.

Before settling on his anti-biotech campaign in the late '70s, Rifkin, I had discovered, had participated in a string of political causes—protesting the Vietnam war, seeking to indict American businessmen for corporate crimes, and agitating for a radical redistribution of wealth, among other causes.

His latest venture is the rather grandiosely titled Foundation on Economic Trends, which he established in 1977—the perch from which he now conducts his crusade against biotechnology.

Staffed by Rifkin, co-director Nicanor Perlas, and several part-timers, the foundation does not release figures on its yearly budget, Perlas says. But last year the *New York Times* reported FET's annual budget as $100,000, a figure that FET assistant Don Davis agreed with when contacted this year. Rifkin told me that the foundation is funded by royalties from his books (eight in print, with a ninth on the way) and his lecture fees. According to the *Times*, Rifkin charges $2,000 for a one-day appearance, $3,000 for two days; and Perlas says that Rifkin gives about 50 lectures a year.

When I asked Rifkin to clarify his present activist goals, he made it quite plain that his desire is to block the development of biotechnology permanently. He cautioned me not to mix him up with the public-interest groups that want to regulate biotechnology. "My position," he told me, "is not regulating it. It's not *wanting* it." Paradoxically, even though

biotech promises great advances in human well being, he says he opposes it because it "undermines the idea of the sacredness of life."

Are his views, then, grounded in a particular religious perspective? His "experience of the world," he replied, "suggests that there is something in the human experience that goes beyond materialism and the dictates of economics." Seeing biotechnology as a great threat to our sense of ourselves and the natural world, he believes that the only moral course is to refuse to use its techniques to alter the genetic codes of any organisms. So whatever the ambiguity of his reasons, Rifkin's conclusion is clear and definite: biotechnology must be stopped.

The scientific discoveries that led up to the biotechnological techniques Rifkin fears are only a generation old. In 1953, British biologists Francis Crick and James Watson first identified deoxyribonucleic acid, better known as DNA, the substance making up every living cell's genes. They also described how DNA's now-familiar double-helix structure separates into two strands to serve as templates for duplicating its original structure, ensuring genetic continuity as cells divide. The intricate dance of proteins, sugars, amino acids, and enzymes is precisely choreographed by each cell's DNA molecules.

In 1972, Paul Berg, a molecular biologist at Stanford University, invented a process whereby genetic segments of DNA can be spliced—separated from one another and then attached to other segments of DNA, a technique now known as "recombining" DNA. Berg was later awarded a Nobel prize for his discovery, which was indeed to have profound effects in many fields.

Scientists now regularly take DNA from one organism and insert it into another, wholly different organism, where it continues to function. This is how, for example, the gene for human insulin has come to reside in a common bacterium, *E. coli.* These organisms happily produce large quantities of human insulin, which is now commercially available as a replacement for pig and beef insulin that diabetics had used for decades. Long-term clinical studies are under way to determine whether its use will prevent or significantly lessen the medical problems associated with the use of animal insulin, such as deterioration of the kidneys and blood vessels. Already, diabetics who use human insulin have had fewer problems with allergic and immunogenic reactions.

The medical uses of biotech are among its most wondrous promises. Biotechnology companies are currently developing other exciting, new products:

- Interferon A and B, which are produced naturally in small quantities by the human body, are thought to be useful in combating multiple sclerosis, a debilitating disease of the nervous system from which 250,000 Americans suffer, with no effective treatment. Interferon may also help fight cancer.
- Blood Factor VIII, the blood-clotting substance that hemophiliacs lack, has been bio-engineered and could be commercially available in a few years. It would be far cheaper than blood transfusions—and with no AIDS risk.
- By fusing antibody-producing cells with specific types of cancer cells, biotechnicians can now produce large quantities of cells that make only a specific antibody (a substance contained in the blood that fights disease and infection). These "monoclonal antibodies" can detect the presence of specific diseases and are therefore very useful as diagnostic aids. Scientists at Massachusetts General Hospital, for instance, are using them to develop a blood test to detect deadly liver cancer in its early, treatable stage. The substances are also being used to develop vaccines against organisms such as hepatitis A and B viruses and the malaria parasite, which every year afflicts 200 million people in tropical countries.

In agriculture, the prospects are equally bright. Biotech can produce food plants and animals that are more nutritious and less costly to raise. Self-fertilizing plants that are highly disease-resistant are already being developed. Such genetically modified crops would significantly lessen the need for dangerous pesticides and expensive fertilizers. Vaccines against the disease "scours," which kills young animals through dehydration, are already in use, and hormones to increase milk production will soon be available. And it is undoubtedly the case that ingenious researchers will be able to devise many more applications in the future.

Despite the benefits that biotechnology promises, even some molecular biologists were uncomfortable with the implications of recombining DNA during the early days of the technique. In 1973 and 1974, groups of concerned scientists publicly called for a worldwide moratorium on recombinant-DNA experiments until the risks could be assessed. The moratorium lasted for two years. Then in 1975, 140 molecular biologists gathered at the Asilomar Conference Center in Pacific Grove, California, and drafted a set of guidelines to govern experiments with recombinant DNA.

Currently administered by the Recombinant DNA Advisory Committee (RAC) of the federal government's National Institutes of Health (NIH), the guidelines were established on the basis of preliminary assessments of the hazards posed by recombinant-DNA research and specify four levels of physical containment for gene-splicing experiments. Since 1976, as more information on the

BETTMAN ARCHIVES

Biologists James Watson (left) and Francis Crick ushered in the biotech era in 1953 with their work on DNA.

safety of gene-splicing has become available, the guidelines have been gradually relaxed.

While the rules governing biotech research were being developed, the media often uncritically passed along apocalyptic claims, voiced by a number of activists, about the supposed hazards of recombinant-DNA research. In 1976, for example, the *New York Times Magazine* published a terrifying article, "New Strains of Life—or Death," written by Liebe Cavalieri, a professor of biochemistry at Cornell University. Cavalieri suggested, among other outlandish things, that recombinant-DNA research could lead to accidental outbreaks of infectious cancer. Many scientists immediately condemned the article as being wild speculation and fantasy. Nevertheless, the article—published, after all, in the staid *Times*—caused a considerable uproar and led to a series of congressional hearings in 1976 and 1977 to consider whether the federal government should slap restrictions on the new field. Then in mid-1977 Sen. Edward Kennedy (D-Mass.) proposed a harsh regulatory scheme for biotech research, modeled on the Atomic Energy Act of 1947.

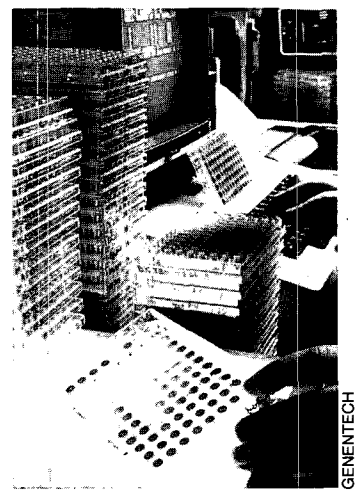
BETTMAN ARCHIVES

Biologist Paul Berg won a 1980 Nobel Prize for his pioneering work in genetic engineering.

Meanwhile, Alfred Vellucci, the mayor of Cambridge, Massachusetts, was attempting to ban gene-splicing work in that community. Vellucci feared that dangerous, genetically modified bacteria might escape from Harvard University's laboratories. Amidst national media attention, a citizens board evaluated the danger but in the end decided that the NIH-RAC guidelines were largely sufficient for controlling such experiments.

Since the public furor of the mid-'70s over recombinant DNA, the issue of the dangers of gene-splicing has nearly faded away, largely because biologists have discovered that organisms naturally exchange DNA among themselves anyway, and also because none of the predicted disasters have occurred. It is instructive, in fact, to consider some of the lessons that scientists learned from that period. Biologist James Watson, one of biotech's grandfathers, for instance, rued his participation in the call for a moratorium on biotech research. "Scientifically, I was a nut," Watson once remarked in 1978. "There's no evidence at all that recombinant DNA poses the slightest danger." And biologist Waclaw Szybalski of the University of Wisconsin, reflecting on the process of relaxing the NIH regulations, said, "Much blood, sweat and tears went into changing the regulations. The people who undid all that damage should get a monument." Biophysicist Burke K. Zimmerman, an active participant in the legislative debates over regulating genetic engineering in the 1970s, wrote in his 1984 book *Biofuture*: "In looking back, it would be hard to insist that a law was necessary, or, perhaps, that even guidelines were necessary."

Yet Jeremy Rifkin remains adamantly opposed. Despite scientific evidence for the safety of biotech and the public's growing anticipation of its benefits, Rifkin fears the future of genetic engineering, so much so as to devote his life to blocking its development. Why? In search of an answer, and to assess how formidable a foe he is, I dug into Rifkin's complex personal history of political activism, going through old documents and books from the '70s and speaking with people who have sided with him, with some who have worked against him, and, of course, with Rifkin himself.


GENENTECH

Genentech, Inc., is one of more than 200 biotech firms that have started up in the last four years.

Jeremy Rifkin graduated from the Wharton School of Finance at the University of Pennsylvania in 1967 and the next year received a master's degree in international affairs from the Fletcher School of Law and Diplomacy at Tufts University. Among the accomplishments he lists in his activist *curriculum vitae* are helping organize student opposition to germ-warfare projects at the University of Pennsylvania in 1966 and helping sponsor "the first national rally against the Vietnam War" in 1967. Later Rifkin served as national coordinator for the National Committee for a Citizens Commission of Inquiry on U.S. War Crimes in Vietnam. And in 1971, Rifkin became a founding member of the radical New American Movement (NAM), which maintained ties with many other leftist groups, including the Puerto Rican Socialist Party and the American Section of the Philippine Communist Party.

In the November-December 1971 issue of the New American Movement's newsletter, Rifkin, looking ahead to the mid-'70s, argued for the creation of a "Peoples Bicentennial Commission": "Aside from engaging numbers of people for the first time who might not feel comfortable relating directly to the New American Movement," Rifkin suggested, "the Peoples Commission would provide a unique forum for mass media exposure over the next four years. This mechanism could be used to raise political awareness and to promote the New American Movement and other radical activities and demands." Even then, Rifkin was aware of the power of the media and of how important it is to attract the press's attention.

In 1972, NAM went with Rifkin's idea and created a Peoples Bicentennial Commission (PBC) with Rifkin at its helm. The group was highly successful in generating a lot of media attention in the years leading up to the US Bicentennial in 1976. For example, the PBC mobilized 40,000 protesters against President Ford's Bicentennial "kick-off" speech at Concord, Massachusetts, in 1975. The purpose of the demonstration, Rifkin told *Newsweek* at the time, was to "issue an economic declaration of independence calling for a full-scale redistribution of U.S. corporate wealth and power."

The PBC's activities were funded by its 20,000 members' annual dues and received further aid from Stewart Mott, the General Motors heir and well-known promoter of leftish causes. But the group's first grant came from the taxpayers, via the National Endowment for the Humanities, which gave $7,210 to the PBC. Rifkin is nothing if not resourceful.

In a PBC-sponsored anthology of leftist essays, *How to Commit Revolution American Style* (1973), Rifkin's introduction candidly states: "This book is not about how to counter the Bicentennial campaign: it is about how to capitalize on it by building a mass revolutionary movement for a radically restructured America." In his own contribution to the volume, he argued that "the new American Revolution must bring about fundamental changes in our social, economic, and political institutions." The radical restructuring he envisioned involved the typical indictment of economic freedoms and their attendant prosperity in this century: "Human rights are placed above property values; Personal interests can be identified with the collective interest; Health care is a human right rather than a marketplace commodity going to the highest bidder; Technology is made to serve rather than to exploit man and the environment; Production for profit and war is replaced by production for human needs and peace; Control of the economy is taken from the very rich and returned to the worker and consumer."

Rifkin's PBC acted on its principles in a variety of creative ways. In its "Campaign Corporate Exposure," launched in 1976 "to mark the 200th anniversary of capitalism," the PBC sent tape recordings to 8,000 wives of America's top corporate executives urging the women to question their husbands about corporate wrongdoing and corruption. The PBC also announced that it was sending letters to over 10,000 secretaries who worked for major corporate executives, offering a $25,000 reward for "information that leads directly to the arrest, prosecution, conviction, and imprisonment of a chief executive officer of one of America's Fortune 500 corporations for criminal activity relating to corporate operations."

Little came of these activities. For his part, Rifkin would not talk to me about his PBC days.

After the Bicentennial passed without any evidence of a "mass revolutionary movement" coming into existence, Rifkin regrouped as the Peoples Business Commission, intended to focus on two or three corporate issues per year. One of them, reported *Dun's Review* in April 1977, was the pharmaceutical industry's experiments with DNA. And Rifkin's concern was "that there must be public control over 'the new forms of life' that might be produced." Rifkin was not a major player in the public debate over the safety of recombinant DNA that was taking place at the time; but he was finding his issue. That year, the PBC changed its name once again, to the Foundation on Economic Trends.

Despite his muddled thinking, Rifkin has been remarkably successful in blocking the progress of some aspects of genetic engineering.

Rifkin burst upon the genetic engineering scene with a protest at a meeting of molecular biologists at the National Academy of Sciences in 1977. Harvard bacterial physiologist C. Bernard Davis recently recalled the incident for *The New Republic*: "Just as the session was about to begin, we became aware that Rifkin's people had settled in the audience all around the perimeter. As David Hamburg [then president of the Institute of Medicine] began to speak, they all jumped up singing, 'We shall not be cloned.' Then they unfurled banners and linked them all around the room. We were their hostages. We were being terrorized."

Questioned about this incident, Rifkin insists that the conference participants "knew what was planned and had agreed to allow it." Philosopher Daniel Callahan, director of the Hastings Center and a conference participant, agreed that Rifkin's protest had been previously arranged—although he is not sure that everyone was aware of it. He says that he personally found it to be "more amusing than threatening." Rifkin's subsequent activities leave no doubt that amusement is not his aim.

It's not that Rifkin

denies the great benefits to be had from biotechnology. Sitting in his office in Washington earlier this year, he voiced his fear: that "there is something inherent to the technology which makes the power in the process inordinate, and that is eugenics."

Having raised the specter of the suspect science of improving the human race by the selection of parents—the only genetic means available when the term *eugenics* was coined at the turn of the century—Rifkin went on to compare the power of biotech to nuclear physics, which spawned the atomic bomb.

It is not that people will be *forced* to accept genetic-engineering technology, Rifkin admitted. His worry is that they will be lured to it by the promise of its benefits: "People *want* healthier babies, more efficient plants and animals, a better GNP, and more security for their offspring." In trying to obtain these benefits via biotechnology, people will be making choices "about what are good and bad genes."

Why would Rifkin find it entirely unacceptable that people should be able to exercise such control over their fates? Part of the answer is simply fear. He worries "that in attempting to 'perfect' the human species, we will succeed in engineering our own extinction."

Rifkin also sees biotech as opening a Pandora's box of somewhat bizarrely conceived social problems: "Scientists now are increasingly able to identify certain genetic traits that cause diseases such as Alzheimer's or Huntington's disease," he said in an interview published last year in *East West Journal*. "Do you tell the person or not?...Will an employer want to hire somebody if that person's medical chart shows when he or she is going to come down with certain diseases, and possibly even when they're going to die? How will the insurance companies deal with this? How will the government?"

But a more fundamental reason for Rifkin's opposition to biotech is that this new science doesn't fit his own vision of an ideal world order. "If we begin taking genetic traits and crossing species borders for short-term, utilitarian gain, we're likely to undermine the delicate relationships between species in the eco-

system," Rifkin charged in the *East West Journal* interview. Do we have a right to tamper with nature "for whatever our interests happen to be?" he asked rhetorically. "I don't think we have that right."

A chart of Rifkin's intellectual development is interesting. At one time he believed capitalism to be in its terminal stages—a common notion among New Left, Marxist-influenced activists in the late '60s. After the collapse of the "movement," hope for the demise of capitalism resided for some in the apocalyptic visions of radical environmentalism, which featured ominous predictions about overpopulation and the imminent exhaustion of nonrenewable resources. Either humans would call a halt to "progress," establishing limits to growth, or there would be disaster. In either case, Rifkin, along with other radical environmentalists, looked forward to a new age characterized by a simpler, more communitarian society.

When the environmental apocalypse failed to materialize, Rifkin looked to a rather different catalyst for the changes he so desired. By 1979—and just when groups like the Moral Majority were attracting a good deal of media attention—he was hailing the upswelling of evangelical Christianity. In his book *The Emerging Order: God in the Age of Scarcity*, he portrayed fundamentalist Christianity as a "liberating force that could topple the prevailing ethos and provide a bridge to the next age of history." In place of "the Protestant work ethic that has dominated the past 600 years of the age of growth," he looked forward to "a new Protestant conservation ethic, ready-made for the new age of scarcity the world is moving into."

In his next book, published in 1980, *Entropy: A New World View*, Rifkin took the imminent "new age of scarcity" as a major theme. It is ironic that Rifkin's predictions of widescale scarcity may well be undercut precisely by the advent of biotechnology-based weapons against hunger and disease.

But Rifkin is inspired by a different vision. His anti-biotech fervor is fueled by a desire to replace present-day science with what he calls "empathetic science." This "could lead into a participatory relationship with our environment," he explained to me during our interview. "Do we develop our research capabilities in science to look at new forms of sanitation, hygiene, nutrition, in order to clean up the environment we've created?" That's a participatory relationship. And as Rifkin portrays things, the alternative is to "leave the environment intact and...develop new therapeutic interventions to genetically engineer human beings to live in the filth."

GENENTECH

At Genentech, some 250,000 vials of experimental biotech products are bottled every year for testing at nearly 100 locations worldwide.

Stephen Jay Gould, the noted Harvard University paleontologist, mirrored the opinions of the vast majority of the scientific community in a review of Rifkin's popular 1984 book *Algeny*. (*Algeny* is a coined word standing for "genetic alchemy." The new science was to be ridiculed by association with the medieval combination of chemistry and magic.)

In his review of *Algeny*, published in *Discover* magazine, Gould scored it "as a cleverly constructed tract of anti-intellectual propaganda masquerading as scholarship. Among books promoted as serious intellectual statements by important thinkers, I don't think I have ever read a shoddier work." Rejecting an attempt by Rifkin to condemn biotech as a bourgeois development, Gould wrote: "If Rifkin's argument embodies any antithesis, it is not left versus right, but romanticism, in its most dangerous anti-intellectual form, versus respect for knowledge and its humane employment. In both its content and presentation, *Algeny* belongs in the sordid company of anti-science. Few campaigns are more dangerous than emotional calls for proscription rather than thought."

Despite Rifkin's muddled thinking, he has been remarkably effective in blocking or delaying the progress of some aspects of genetic engineering. He cares passionately about what he believes in, and the mechanisms of governmental regulation are so intricately intermeshed that one such passionate individual can be a tiny speck of grit that brings the gears to a halt. From years of activist experience, Rifkin had learned well how to manipulate the regulatory and legal systems. This is the tack he took in his next move after the orchestrated protest at the National Academy of Sciences meeting in 1977.

In 1979, Rifkin's Foundation on Economic Trends filed a "friend of the court" brief supporting the office of the US Attorney General in its contention that the federal patent laws should not be extended to cover the new, genetically modified organisms. Rifkin correctly perceived that if genetic engineers could patent their products and techniques and thus obtain property rights to them for a defined period of time, this would be a tremendous incentive for the development of commercial biotechnology—individuals and firms could then put time and money into research and be assured of earning economic rewards for doing so.

In the landmark case *Diamond* v. *Chakrabatry*, the Supreme Court ruled in June 1980 that such organisms *can* be patented. It was one of the rare instances in which Rifkin has ended up on the losing side of a major court battle over biotechnology. Since the *Chakrabatry* decision, over 200 patents for biotechnological products and processes have been issued.

Rifkin fights his anti-biotech campaign simultaneously on several fronts. He routinely testifies before various federal governmental bodies, including, for example, the House Science and Technology Subcommittee.

One major focal point of Rifkin's activ-

ity is the National Institutes of Health, where he has become a fixture at meetings of the NIH's Recombinant DNA Advisory Committee. He could do little to block gene-splicing experiments already authorized under the RAC's physical-containment guidelines, since those precedents had already been set. However, Rifkin found a major opportunity to strike a blow against biotech in 1983, when two plant pathologists at the University of California at Berkeley, Steven Lindow and Nicholas Panopoulos, came before the RAC seeking authorization to field-test a genetically modified bacterium, *Pseudomonas syringae.*

The bacteria that promote frost formation on plants is one target of biotech research.

The *P. syringae* bacteria in the proposed Lindow-Panopoulos experiment live naturally on the leaves of many plants. When the temperature drops to freezing, the bacteria manufacture a chemical that promotes the formation of ice crystals. The frost kills the plants, and the bacteria can then feast on the rotting remains. Lindow and Panopoulos's engineering feat was to delete the single gene that activates this process. They dubbed the resulting bacteria "ice-minus." In their proposed field test, the scientists planned to spray two rows of potato plants with "ice-minus" bacteria to see whether these plants could better resist frost damage.

Several points should be kept in mind about this experiment: No *new* genetic material was to be introduced into the environment. Naturally occurring ice-resistant *P. syringae* had already existed in the environment. And ice-resistant *P. syringae* had already been created by other techniques and in the 1970s had been released into the environment with no ill effects. Moreover, if the experiment were successful, a significant proportion of the $6 billion of crops lost annually to frost damage in the United States might be saved.

Over Rifkin's objections, the RAC found the experiment to be safe and environmentally benign and authorized the proposed field test. He persisted, taking the matter to US District Court. In a major victory for the anti-biotech crusade, Judge John J. Sirica issued an order in May 1984 blocking the two scientists from proceeding and barring the NIH from approving any other field tests. Sirica based his order on a narrow procedural issue—the NIH had failed to comply with federal environmental regulations requiring an environmental impact statement.

The NIH and the University of California appealed Sirica's decision, and in February 1985, the appeals court upheld the injunction against the "ice-minus" experiment but overturned the ban on all NIH approvals of other field tests. The court's decision requires the NIH to give "adequate environmental consideration to each deliberate release experiment funded by the agency."

At this point it is unclear whether "adequate consideration" means that each and every future field test must be accompanied by an environmental impact statement. An NIH source who is familiar with the litigation told me that preparing such statements is a very time- and money-consuming process, which, if applied to each proposed new field test, could significantly slow the progress of biotech R&D. However, this NIH source believes that the less onerous "environmental assessment" will satisfy the appeals court's requirement.

A subsequent federal-court decision helps only somewhat to clarify the regulatory morass—a ruling in which Rifkin found himself on the losing side. It holds that only NIH-funded biotechnology research needs NIH approval—in addition to approval from another regulatory agency (such as the Department of Agriculture)—in order for genetically modified organisms to be released into the environment. Researchers whose funding is private, in contrast, need only get approval from a single, relevant agency for such experiments.

These federal-court rulings have perhaps set the stage for years of regulatory wrangling. Already, scientists and biotechnology companies have put on hold several other field tests of genetically modified organisms until the legal and regulatory issues are resolved. Stanford scientists Ronald Davis and Virginia Walbot, for example, have postponed an experiment to genetically modify corn plants in the field. And the biotech firm Agracetus has put off plans to test disease resistance in genetically modified plants.

Treating plants with Advanced Genetic Sciences' Frostban™, a bioengineered product, could save huge amounts of crops from destruction by frost.

Never one to rest on his laurels, Rifkin recently filed another biotech-related suit in US district court. Rifkin is seeking an injunction against US Department of Agriculture (USDA) experiments attempting to transfer the gene for human growth

hormone into pig and sheep ova. The USDA experiments are designed to make it possible eventually to increase significantly the speed of growth and the height and weight of food animals. Success promises to boost world supplies of protein for human consumption.

Joining Rifkin in his suit against the USDA is the Humane Society of the United States (HSUS), a 200,000-member animal-welfare organization. Rifkin and the HSUS argue in their suit that "each creature has a fundamental identity as a member of a particular species. Animal breeding, without due regard and respect for the nature or 'telos' of an animal, may violate the animal's fundamental nature and convert it into something quite different." Quoted in a *New York Times* article, Rifkin asserted that the USDA experiments violate "the moral and ethical canons of civilization." In an article in the *HSUS News*, Michael Fox, the scientific director of the HSUS, wrote of the USDA experiments: "Since the animals' bodies and not their minds are altered by genetic engineering, the specter of their psyches being trapped in an alien body could become a reality." (The gene for human growth hormone has in fact already been successfully incorporated in mice. Some of the mice with the gene grew to nearly twice the size of ordinary mice.)

At the Asilomar Conference of 1975, scientists met to set the ground rules for biotech research.

Rifkin's suit against the USDA is part of his attempt to ban all transfers of genetic material between mammalian species. In September 1984, Rifkin asked the NIH to incorporate such a ban into its guidelines. The following month, the RAC voted 22 to 0 against his proposal, noting that the potential benefits—such as more effective treatments of human and animal diseases and the development of more efficient food sources—"make it a moral imperative that we strongly oppose the blanket prohibition of this class of experiments."

During this particular meeting, some members of the RAC "charged Mr. Rifkin with trying to incite fears in the public by using half truths and dubious interpretations of the known facts of genetics," the *New York Times* reported. One speaker noted that adopting Rifkin's rationales about species integrity would call into question the success of the world's health organizations in totally eradicating smallpox—that "might have been a violation of a species' integrity, but it was hardly mourned by any except possibly the smallpox virus itself." Meanwhile, the USDA case is still wending its way through the federal courts.

Rifkin also invests

considerable effort in establishing coalitions—or at least the appearance of such—with other organizations and individuals whose interests intersect in the campaign against biotech. When I interviewed him, Rifkin told me that he has managed to interest "environmentalist groups, animal-welfare organizations, the peace community, the women's health wing of the feminist movement, the right-to-lifers, and the evangelical churches" in various aspects of biotechnological development. I checked out this claim and found that his coalition-building success has had its ups and downs. One episode stuck out somewhat prominently and reveals some of Rifkin's tactics.

In June 1983, amidst a great deal of media attention, Rifkin managed to produce a letter signed by 63 citizens of varying degrees of prominence, including Roman Catholic bishops, Jewish leaders, the heads of many Protestant churches, and a few scientists. The signatories were persuaded to sign a resolution calling for a ban on experiments that would alter the genetic characteristics passed from one human generation to the next.

Rifkin had had dealings with church leaders during his time with the Peoples Bicentennial Commission, when the PBC had been commissioned by the National Council of Churches to write a church guide to the Bicentennial observance. According to his résumé, that guide, *The Light in the Steeple*, was used in more than 65,000 churches. That experience, in addition to the welcome response to the fundamentalist revival that he gave in his book *The Emerging Order*, had favorably positioned him for building this astonishingly diverse religious coalition.

Among the signers of the resolution were Dr. Jerry Falwell, founder of the Moral Majority; Rev. James T. Draper, Jr., president of the Southern Baptist Convention; Pat Robertson of the 700 Club and president of the Christian Broadcasting Network; Rev. James R. Crumley, Jr., presiding bishop of the Lutheran Church in America; Dr. J. Robert Nelson, professor of theology at Boston University; Rabbi Wolfe Kelman, executive vice-president of the Rabbinical Assembly; Bishop James W. Malone, vice-president of the US Catholic Conference; and Dr. Richard C. Halverson, chaplain of the US Senate.

Rifkin took the opportunity to accompany the resolution with a "theological letter," which, though not endorsed by those who signed the resolution, did provide the press with something to fill out their columns. The "theological letter" bordered on calling for a total ban on *all* genetic engineering that would lead to improved medical treatments and not just a ban on human germline intervention.

"Once we decide to begin the process of human genetic engineering, there is really no logical place to stop," Rifkin charged. "If diabetes, sickle cell anemia, and cancer are to be cured by altering the genetic make-up of an individual, why not proceed to other 'disorders:' myopia, color blindness, left handedness?" he asked rhetorically. Better, he was concluding, to leave people suffering from diabetes, sickle cell anemia, and so on.

Later, however, a number of the signers of the resolution repudiated the accompanying "theological letter." As Boston University theologian J. Robert Nelson noted, "there was very little theology in the letter." Moreover, it "went beyond what we said in the resolution," Nelson stated, "and has fan-

tasies about changing human traits."

Nevertheless, Rifkin skillfully used the occasion to present his views to the media—no matter what would come after, the public would recall that prominent religious leaders had expressed grave reservations about bioengineering. It was even unimportant that genetic intervention in the human germline is probably decades away as a practical matter. As bacterial physiologist Bernard D. Davis has recently written, "We are unlikely to face eugenic uses in this century, because the traits one might be tempted to manipulate, such as memory, intelligence or motor skills, are so complex, and involve so many genes, that the prospects for their meaningful control are very distant."

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Genentech uses fermentation vessels to grow microorganisms, which in turn produce proteins for human and animal health care.

Later, two of the signers of Rifkin's resolution, Bishop Crumley and J. Robert Nelson, were members of the National Council of Churches of Christ's Panel on Bioethical Concerns, which last year issued a preliminary policy statement on biotechnology. Entitled *Genetic Engineering: Social and Ethical Consequences*, it is now being reviewed by the NCCC's 31 member communions. A final decision on the NCCC's biotechnology policy is expected in 1986. Rifkin told me that he was not consulted on this NCCC policy statement, but its tone, he said, is reminiscent of his "theological letter."

Despite Rifkin's claims to have interested environmentalist groups in biotechnological issues, I found that the Sierra Club and the National Wildlife Federation have no policy stand on biotechnology at present. And Jack Doyle, director of the Environmental Policy Institute's Agricultural Resources Project, told me that Rifkin "has a role as a gadfly" and has been "important in stimulating public debate" on biotechnological issues. Nevertheless, Doyle said, the EPI, though concerned about some developments, sees "some potential benefits from biotechnology," not the least being "disease- and pest-resistant agricultural plants" that would diminish the need for many of the substances that so worry environmentalists.

According to Lauren Kenworthy of the Natural Resources Defense Council, the NRDC "did not take a stand against deliberate release of genetically modified organisms." The NRDC, says Kenworthy, is "sort of staying away from the Jeremy Rifkin kind of approach." In an interesting admission, she said that he is a "very useful person to have out there, because he defines the left field."

Rifkin's claimed ties to the religious right are odd, however, given his vision of a radically new economic order. When I probed Moral Majority spokesman Cal Thomas about this, he said that Rifkin "is addressing some important issues from a non-religious perspective." He described Rifkin as "an incredibly intelligent and rational human being with whom we agree on some issues."

Thomas, it turns out, had read Rifkin's *Algeny* and taken away from that book the notion, agreeable to the fundamentalist right, that "most scientists have given up on evolution." But when I pressed to find out whether the Moral Majority favors a *complete* ban on biotech, he demurred. Not without a parting caution, though: "It's like fire. It has the potential to cook your food and warm your house, but it could also burn your house down."

DNA PLANT TECHNOLOGY CORP

At DNA Plant Technology Corp. laboratories, genetic engineers are working to develop improved strains of food plants.

Are the risks from biotech that Rifkin continually cites real? The vast majority of scientists say no. Rifkin himself admitted to me that the Lindow-Panopoulos ice-minus experiment that he successfully derailed was "probably benign." He opposed the experiment, he told me, not only because he wishes to halt all biotechnological development. It would have been the first field test of organisms modified by recombinant-DNA technology, he explained, and was therefore an important opportunity to set legal precedents.

Speaking for the biotech industry's trade group, the Industrial Biotechnology Association, Executive Director Harvey Price has summed up the attitude of professional genetic engineers toward Rifkin: "Generally speaking, the industry believes that most of Mr. Rifkin's fears are imaginative and frivolous." "In the last ten years," Price pointed out during an interview on nationwide radio, "no one has gotten even so much as a sniffle from using recombinant DNA technology." He rejects Rifkin's "idea that nature is so finely tuned that one doesn't want to try to disturb it." What "exists out there includes disease, drought, floods, hunger, and human suffering," Price noted. "Why should we accept this result so readily without trying to improve it?" Price described Rifkin's ideas as "an elitist attitude of someone who is not sick, who is not hungry, who is not suffering." It's an attitude, he concluded, that "is simply objectionable."

What about the "ethical" issues that Rifkin has raised concerning biotechnology? I asked Arthur Caplan, associate director of the Hastings Center and a philosopher specializing in issues of science and medicine, about those concerns. "Normally, I am in the first rank of worry warts, but biotechnology does not concern me very much," Caplan told me. "I am not impressed with the safety concerns. They are not extraordinary." Caplan believes that "in principle, there is not a lot wrong with attempts to improve the human genotype." He concludes, however, that "the technology is a long way from the point of causing any eugenics concerns."

I asked Caplan about Rifkin's argument that it is ethically wrong to transfer genes between mammalian species. Cap-

lan responded: "I find it hysterically funny that Rifkin wants to ban such transfers." He pointed out that human beings' efforts at domesticating and crossbreeding plants and animals over the centuries, while not as dramatic as the results achievable through the use of biotechnology, had already succeeded in transferring genes between many species. "Three generations hence, people will think that worrying about biotechnology will be akin to our ancestors' worries about flying an airplane," he predicted.

John Arras, a bioethicist at the Montefiore Medical Center in the Bronx, New York, remarked to me that "the recombinant-DNA debate is a good example of how hysterical fears can get the upper hand, but it is also a good example of how cautiously and responsibly the scientists themselves have approached the issues raised by biotechnology." When I asked him about Rifkin, Arras said, "I get the impression that he wants to throw out the baby with the bath. He is probably overblowing the dangers [of biotechnology] and underestimating our ability to stave off abuses."

Winston J. Brill, a professor of bacteriology and vice-president of Agracetus, a company specializing in agricultural biotechnology, cogently addressed the issue of safety in agricultural biotechnology in a recent issue of *Science*: "Traditional agricultural practices continually improve useful crops and microbes by taking advantage of new [naturally occurring] genetic modifications. In almost all cases the exact nature of these modifications is unknown. There has not been any special concern about new variants. By comparison, genetic engineering will make well-characterized and specific modifications. Thus there does not seem to be any reason to expect greater problems arising from recombinant organisms in agriculture than from organisms produced through traditional practices."

Despite a shaky start and Rifkin's legal maneuvers, biotech regulation is developing in a relatively harmonious manner. The biotechnology industry views government regulation as inevitable and is working closely with the USDA, the EPA, and the Food and Drug Administration to establish a smoothly operating regulatory scheme. If Rifkin manages to alarm many other activists and the general public, however, the United States could conceivably suffer the problems that the Dutch faced when, in the 1970s, an unduly frightened public demanded a total ban on recombinant-DNA research in the Netherlands. Only now is the damage caused by Dutch alarmists being undone, and as a consequence, the Dutch biotech industry is behind its competitors in other countries.

In the United States, about $2 billion in venture capital has been invested in the last four years in over 200 startup biotechnology firms, according to Robert Kunze, a managing partner at the San Francisco investment and venture capital firm Hambrecht and Quist. And the National Institutes of Health has awarded some $570 million in biotech-research grants to universities in 1985 alone.

Having spent a good deal of his life promoting various "revolutions," Rifkin now opposes one that is genuinely about to happen — the biotech revolution.

In Japan and America, more-established private companies are spending about $1 billion a year on biotech R&D. And no wonder—Kunze predicts that the market for the "miracle" products of gene-splicing will be $1 billion a year by the end of the 1980s. The market for industrial enzymes—capable, among many other things, of purifying water and degrading toxic chemical wastes—will be $500 million a year by the end of this decade. By the turn of the century, the market for genetically engineered agricultural products will be $5 billion. It adds up to Kunze's prediction that the biotech industry will "rank as one of this century's top five industries."

Without doubt, future developments in gene-splicing will pose ethical questions. The initial goal of much of the engineering of human genes would be to fight against genetic diseases such as sickle cell anemia, hemophilia, cystic fibrosis, and others. Later, complex traits such as intelligence and memory might be enhanced by such intervention, and the practice could obviously raise ethical questions. But as Harvey Price of the Industrial Biotechnology Association has said: "We have always faced new technologies—electricity, air travel, antibiotics. In each case we go forward and we look for *real* problems that develop and try to react to them as best we can. So, I think instead of the abstractions which Jeremy Rifkin keeps talking about, we should focus on some of the things that are actually being done in the commercial industry." Things like new vaccines, cures for cancer, more-nutritious food, and more environmentally benign industrial and agricultural practices.

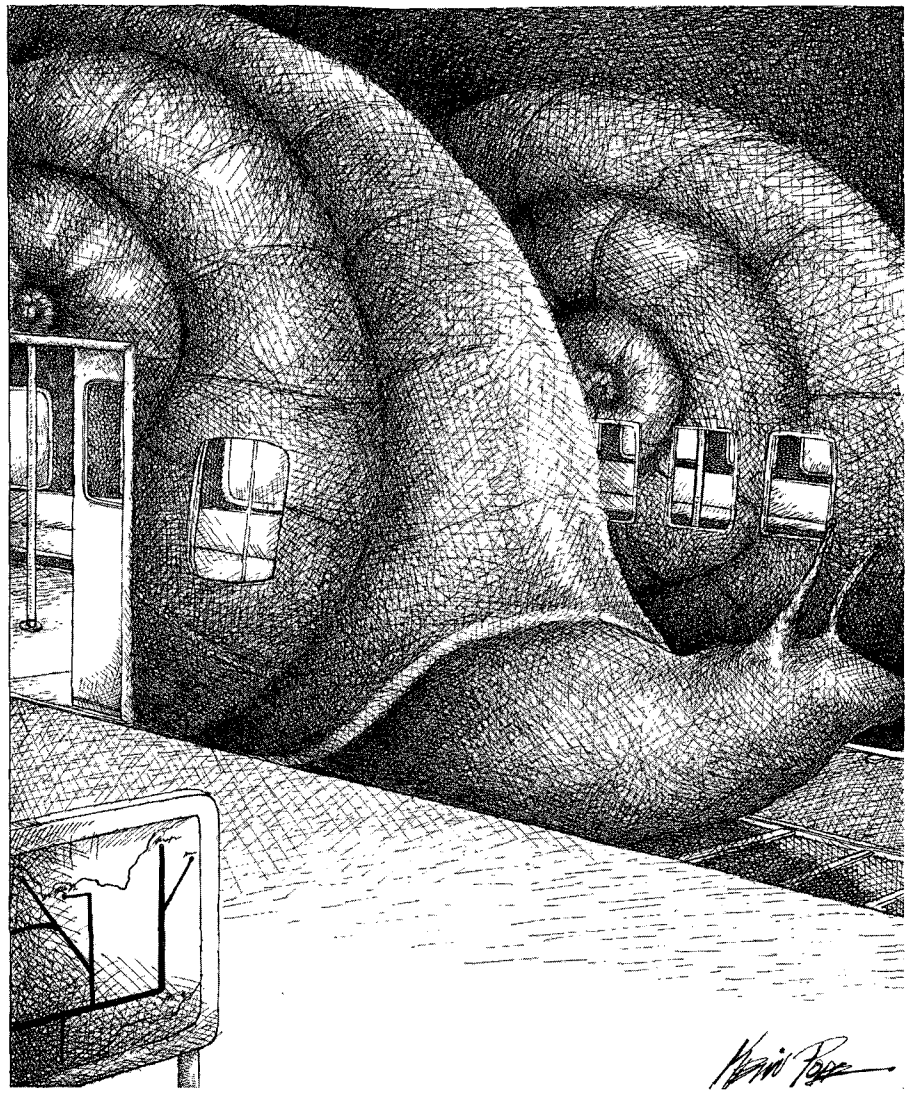
In his own way, Jeremy Rifkin is an American success story. He was once investigated by Congress for radical activities. Now he advises congressional committees. He has, despite all odds, managed to make his passionately held beliefs widely known and has forced leaders in government, industry, and education to listen to him. He has been extremely resourceful—if not always successful—in building ad hoc coalitions in support of his views over a wide political spectrum.

Rifkin, when pressed, concedes that Americans will most probably embrace the technology he so abhors. But he is determined that if we do, it will not be until he has used every strategy he can devise to prevent that outcome. One wonders, in fact, if Rifkin sees the grand irony of the situation: having spent a good deal of his life predicting and promoting various "revolutions," he now opposes one that is genuinely about to happen—the biotech revolution—and one that, by almost everyone else's account, actually has a chance of improving the lot of humankind. ◻

Ronald Bailey is a free-lance writer who lives in New York. This article is a project of the Reason Foundation Investigative Journalism Fund.

SNAIL BEATS SUBWAY

By Peter Samuel



KEVIN POPE

Recently the New York Metropolitan Transportation Authority (MTA) announced that it had finally decided how to use the 63rd Street subway tunnel being built under the East River. That's one of New York City's great on-and-off public works projects that among other things lost Pres. Ronald Reagan the services of Raymond Donovan as secretary of the Labor Department after a Bronx prosecutor laid charges of conspiracy, fraud, racketeering, and other offenses against his company in connection with the tunneling work.

The East River tunnel is supposed, one day, to improve train service between Queens and midtown Manhattan, but as construction has dribbled on, there has been controversy about which line to connect it to on the east side. The under-river tunnel itself—already 14 years in the making—is due to be finished within the next two years. And the rail connection at the east end is going to be a whole lot slower. Called the K line Connector, it will go between 21st Street and Queens Plaza in Long Island. A mere 520-foot length of subway, this connecting line is going to take eight years to build, according to an MTA spokesman. That works out to 65 feet a year!

Now the usual metaphor for low speed is "snail's pace," and when I heard the eight-year estimate announced, it set me to wondering about the actual pace of snails. Prof. George B. Chapman, head of the Biology Department at Georgetown University in Washington, says that snails vary, like subways, in their slowness. Snails come in different speeds, depending on their types, the season, and the time of day. There are aquatic types and terrestrial ones, and tropical- and temperate-climate snails. They move faster at night than during the day, when their predators are around. And in winter they are much more sluggish than in summer.

Still, the fastest snail on record, says Professor Chapman, attained a speed of 8 inches a minute, which works out by my arithmetic to 960 feet a day. This little sprinter snail of Professor Chapman's acquaintance is obviously unfair competition for the MTA, which to keep up would need to knock off the 520-foot K Street Connector in a long summer day, say two seven-hour shifts.

As a metaphor for "slowth," the snail's pace is obviously grossly inadequate to describe New York's subway construction schedule. But inaccurate though the metaphor may be and unfair though it is to snails, we are probably stuck with it. Hence with apologies, in advance, to snails, the MTA's K Street Connector gets nominated for the REASON Snail Pace Award.

Subsequent to my snail research, the federal government put a hold on any more financing for the East River tunnel. Management of its construction was "wholly inadequate," lamented Urban Mass Transportation chief Ralph Stanley. ◻

Peter Samuel is a newspaper reporter and the author of several previous REASON articles on the New York subway.

When I drive that slow you know it's hard to steer
And I can't get my car out of second gear
What used to take 2 hours now takes all day
It took me 16 hours just to get to LA

Gonna write me up for 125
Post my face Wanted: Dead or Alive
Take my license all that jive
I can't drive 55

— "I Can't Drive 55,"*
Sammy Hagar

Deep-Six 55

by Alan E. Pisarski

Rock star Sammy Hagar is on to something. The 55-mile-an-hour national speed limit is a terrible idea. Though public opinion polls have 70 percent of Americans saying that they support this 11-year-old law, not since the dark days of Prohibition has a government decree met with such widespread disobedience.

To the Washington establishment, however, the 55-mile-an-hour speed limit has become something of a sacred cow. Yet its genesis was far from divine. I know—I was there, as a special assistant in the US Department of Transportation. The limit was a product of the Emergency Conservation Act of 1974, a hastily written response to "the energy crisis." The Department of Transportation was thrashing about, looking for energy-saving ideas, and hit upon a nationwide reduction in the speed limit.

Quick studies were done to figure the energy-saving potential of speeds of 40, 50, 55, and 60 miles an hour for both cars and trucks. Not surprisingly, fuel savings increased as speeds decreased. Going for the middle of the range, the original proposal called for 50 miles per hour for cars and 55 for trucks. The higher speed limit for trucks recognized the substantial impact of slower speeds on trucking costs, as well as studies presented by truckers' organizations claiming that trucks use less fuel at 55 than at 50 because of their transmission design.

The prospect of a more lenient standard for trucks caused quite a furor, particularly after syndicated columnist Jack Anderson suggested that maybe the trucking lobby had cut some sort of deal with the Department of Transportation. The atmosphere thus poisoned, putting both cars and trucks at 55 became an act

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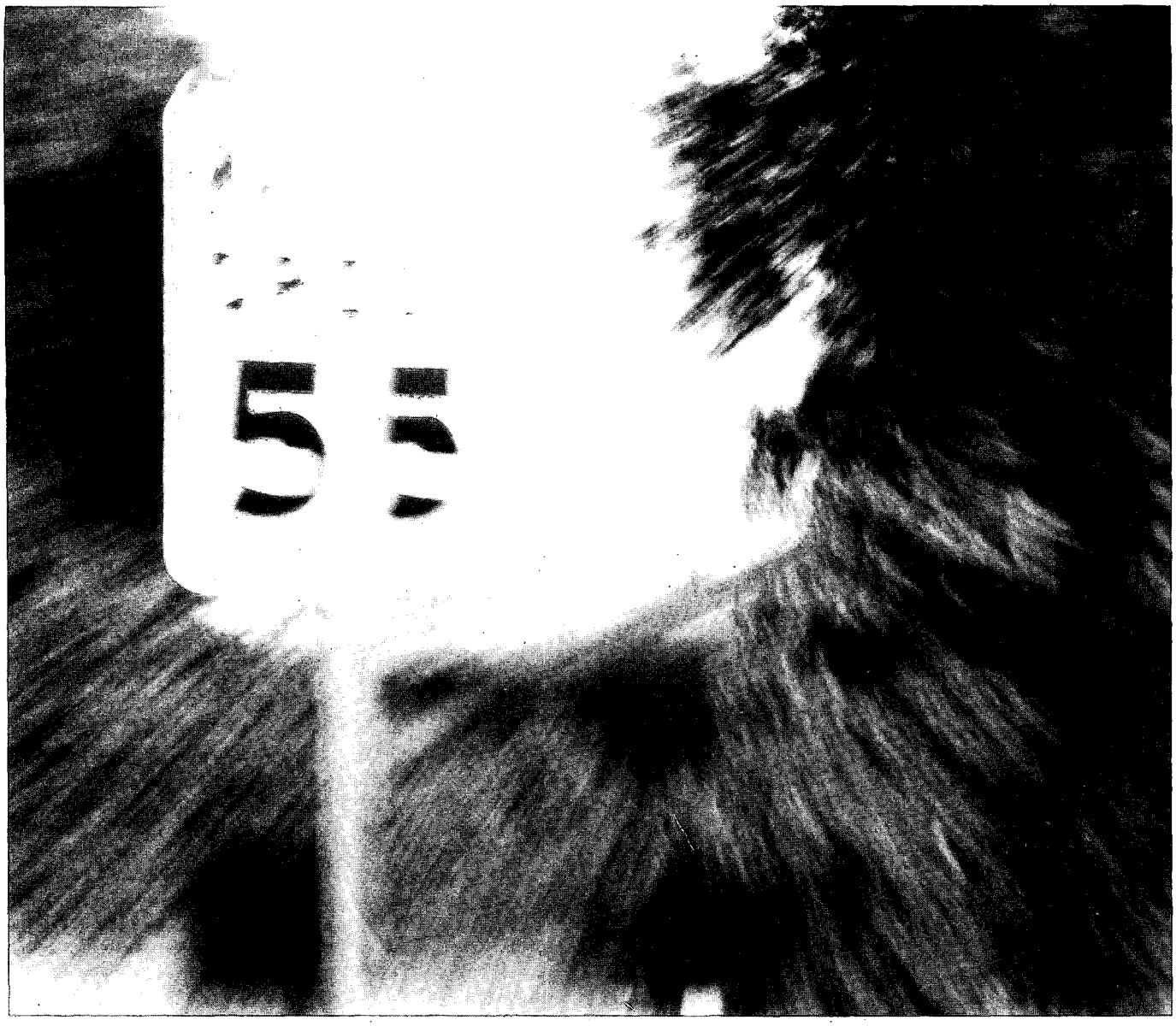


PHOTOGRAPHS • CHIP ROWLEY

of political compromise. And so it was that, although speed limits on the interstate highway system had previously been left up to the states, we came by a nationwide speed limit of 55. Any recalcitrant states wouldn't get their usual ration of Highway Trust Fund moneys, said the law passed by Congress, and soon every state had fallen into line.

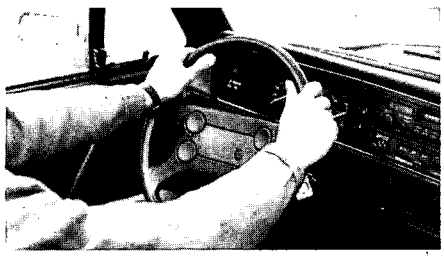
The Department of Transportation had estimated the potential fuel savings from this law at about 200,000 barrels of petroleum per day, or about 1 percent of US petroleum consumption at the time. Subsequent studies on the energy-saving effects of 55 have been inconclusive, largely because it is difficult to separate out other causes of reduced gasoline usage, such as reduced travel and a shift to smaller, better-mileage cars. But it doesn't matter; the fuel-saving argument has receded as the energy crisis has become a dim memory. Now, the case for 55 rests on an entirely different assertion—that 55 saves lives.

In the early days of the law, highway fatalities did decline, though it's hard to tell just how much of the reduction can be attributed to the new speed limit. In fact, in recent years fatalities have continued to decline even though average speeds (what people actually drive, not the posted limit of 55) have been inching upward.

All things being equal, however, it's a pretty safe bet that a vehicle hitting another object is better off doing so at 55 than at a higher speed. And a vehicle traveling 45 is even better off, a vehicle traveling 35 even better, and so on. Think of all the lives we'd save if we just abolished cars!

Even the most ardent safety advocate will agree that at some point a trade-off must be made between potential accident reduction and the smooth, efficient flow of transportation. And once the necessity of such a trade-off is conceded, the problem becomes finding the speed at which maximum public benefits are realized. But the transportation bureaucrats don't know and never have tried to find out where that point is.

If 55, pulled out of a hat in 1974, is the correct speed, it would be a miracle. Perhaps the optimal speed is 63.5 miles per hour or 47 or even 75. We don't know. Such a calculation would be exceedingly difficult, as well as very expensive. The costs and benefits involved hinge on the value of time and the value of a life saved. Both of those measures come down to a host of value-laden questions that people would hardly be satisfied having traffic engineers or economists trying to resolve.



But the difficulty of getting the number right does not excuse accepting a random number. If the current speed is too high, there are lives to be saved at an acceptable trade-off. If it's too low, as Sammy Hagar and a whole lot of American drivers have concluded, substantial economic benefits are being forgone. But the lack of any studies doesn't stop the pro-55 crowd from speaking that number in hushed, reverent tones.

Supporters of 55 were heartened by a recent much-heralded study by the National Academy of Sciences (NAS). Congress, reacting to the increasingly embarrassing level of (non)adherence to 55, and hoping to avoid having to actually withhold money from offending states, asked the NAS to study the benefits of the national speed limit. The NAS, however, sensing a threat to its reputation for independence and integrity, interpreted "benefits" to mean both costs and benefits.

The Academy's study merits close inspection. Although it did little new research, the NAS panel sifted through all available evidence on 55 and produced a comprehensive and scrupulously detailed report. Congress certainly got what it wanted from the study—media headlines picking up on its main recommendations all reported that these distinguished scholars had concluded that 55 be retained. Yet the Academy's findings were not quite that simple.

The NAS recommended that 55 be retained "on most of the highways now posted at 55" but conceded that the study committee disagreed over whether or not the limit should be universal. And despite the NAS's cautious recommendation, the report contains lots of material that will prove more useful to opponents of 55 than to proponents. Key NAS findings include:

- Faced with the possibility of losing federal highway funds, the states have focused their traffic enforcement efforts where they count statistically—catching a hefty quota of speeders—rather than where they have the biggest safety effect. (So safety is actually put on the back burner by the 55 policy.)
- To make it appear as if they are complying with the law, the states engage in statistical manipulations that "do not appear fully warranted." (Put less delicately, the states cheat.)

> Not since the days of Prohibition has a government decree met with such widespread disobedience.

- The chief flaw with 55 is that it sets one blanket speed limit for vastly different highways (a policy that any road engineer will tell you is foolish).

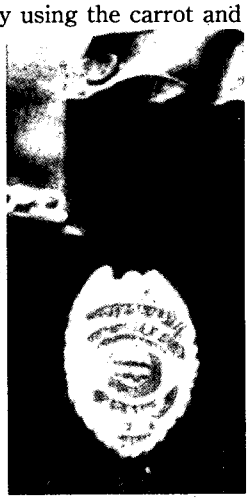
And here's a fascinating point made in the report: it is the variation in vehicles' speeds, more than their absolute speeds, that determines how safe a road is to travel. In an excellent appendix to the NAS report, Prof. Charles Lave of the University of California at Irvine presents the results of a statistical analysis of the relationship between speed and the fatality rate. There is none. There is, however, a significant relationship between speed *variance* and the fatality rate.

This speed variance finding may explain why automobile fatalities have dropped since the 55 limit was imposed. Lowering the limit pushed those who normally traveled much faster down to speeds close to 55, while those who usually traveled at 55 continued to do so. This resulted in more vehicles traveling within a small range of speed—and thus safer roads. It makes sense: when most vehicles are moving at about the same speed, they are less likely to bump into one another. With this in mind, the Academy report noted that it may be relatively unimportant if the average speed is a bit higher or lower than 55, as long as all the traffic on a particular road moves along at about the same speed.

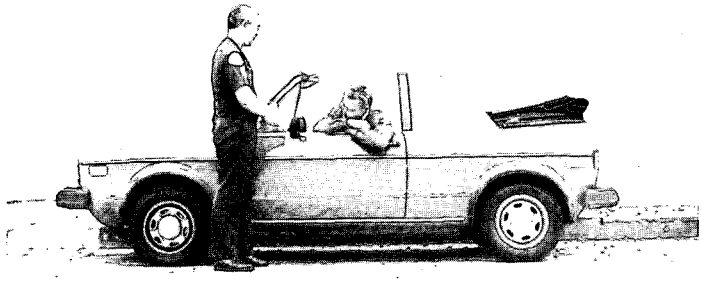
On more legalistic grounds, opponents of 55 commonly argue from "state's rights" principles that it is outside Congress's legitimate federal authority to set speed limits for the states. Indeed, Congress seemingly wrote the law with an eye to this issue.

The 1974 Act did not technically set a national speed limit. What it did was arrange to withhold Highway Trust Fund revenues from the states unless they set their speed limits at 55. (The same tactic is now being used to "encourage" states to increase their legal drinking ages to 21 by October 1, 1986.) Thus it was federal financial blackmail and the dependence of the states on money from Washington to maintain the interstate highways that gave Congress the de facto power to force us all to drive 55.

In any event, Congress couldn't set a national speed limit for a very simple reason—the federal government owns only a very few roads located on federal property (roads on military bases, for instance). The vast majority of the nation's highways belong to the states and other levels of government or to quasi-public agencies. The power to set speed limits on roads comes with ownership. So the only way the feds could get a national speed limit was by using the carrot and stick of federal lucre—and it worked.



This was only the latest in a long list of things that the states have to do to get highway tax money back from Washington, even though this money is ostensibly "held in trust" for the states. In this case, Washington's bark seems worse



than its bite. No state has ever actually had its highway money cut off. Instead, the criteria used to determine states' compliance have been revised downward rather continuously. Taking states' money away is a political hot potato that Congress won't touch. In 1981, for example, the percentage of traffic that states are required to keep at 55 in 55-mile-per-hour zones was slashed from 70 percent to 50 percent. (Even so, noted the NAS study, 37 states would be out of the money if not for "dubiously valid" statistical adjustments.)

Though the Academy did not attempt a rigorous cost-benefit analysis of the 55-mile-an-hour speed limit, it did put forth some interesting numbers on the subject. Those, for example, who hope to exempt various rural highways from the law should be heartened. The NAS noted that the costs of 55 in terms of lost time are much greater on rural interstate roads, which constitute the main intercity road system in the United States, than on other highways. For instance, while on the average 55 saves one life for every 25 years of driving time lost, on rural interstates that ratio declines dramatically—to one life saved per 100 years of time lost. Why are rural interstates so adversely affected by the national speed limit? Because these roads are generally built to the highest engineering standards and have relatively low traffic volumes, considering their capacity.

> If 55, pulled out of a hat back in 1974, is the correct speed, it would be a miracle.

A sensible highway policy would take road quality and capacity differences like that into account. You don't have to be a civil engineer to know that there are some roads where 55 is a snail's pace and others where doing 55 is best left to Indy 500 drivers. Speed limits should not depend on the arbitrary whims of Washington bureaucrats. Rather, given the goal of safe, efficient transportation, four principal factors—road design, volume and mix of traffic, terrain and weather, and age and maintenance condition—should determine how fast vehicles can drive on different roads.

As with most things, road design has evolved over the years. Early turnpikes and interstates reflected the state-of-the-art knowledge of the times, but they are well behind current standards. Even so, most of the early interstate system was designed for speeds well in excess of 55. Design knowledge today is capable of producing highways constructed for even faster speeds.

Traffic conditions are the most obvious determinant of safe speeds. More is involved here than just monitoring traffic jams. A wise highway policy would also consider traffic volume in relation to road capacity and the "mix" of traffic—how many cars, buses, trucks, mopeds, or whatever use the road.

Anyone who's ever driven through a snowstorm realizes that weather conditions often dictate the proper speeds. Areas where snow, fog, heavy rains, ice, or hazardous terrain are common should have their speed limits adjusted accordingly.

As the interstate highway system approaches its 30th birthday, age and maintenance become important factors in determining the correct (or at least more correct) speed limits on many highways. Newer roads, and those recently rebuilt or repaired, can support much higher speeds than pothole-plagued highways.

There are other factors that a commonsense speed policy would take into account—how experienced are the drivers who use a certain road, in what condition are most of the vehicles that travel that road, and what sorts of activities occur adjacent to the road.

In addition, junking 55 would "unfreeze" highway technology that has languished since 1974. The history of transportation technology is the search for greater speed at decreased cost in resources, safety, and investment. This search has been stifled over the last 11 years by the 55-mile-an-hour speed limit, to the detriment of us all. It is as if the government had decreed in the '50s that airplanes were going fast enough and that no aircraft could surpass the speed of the DC-6. What a world of benefits would have been lost!

The case against 55 is overwhelming, but help from our legislators in Washington does not appear to be forthcoming. The 1980 Republican platform pledged to seek repeal of 55, but the Reagan administration has made precious little headway in effecting repeal or even modification. There has been speculation that one of the western states that so strongly oppose the national speed limit may take matters into its own hands by repealing its state law complying with the 55-or-else mandate, daring the federal government to cut off its highway funds. (And in fact, Arizonans are currently gathering signatures to force a statewide vote on 55.) Until then, millions of American motorists will continue to disregard this bothersome and paternalistic law. ◻

Alan E. Pisarski is a transportation consultant based in Washington, D.C. He served on the 1980 Reagan-Bush transition team.

A case study in "nationalization," US-style.

SEIZING ASSETS SLOW AND SUBTLE

by *Steve H. Hanke*

Nationalization sounds foreign to Americans. Governments only take over business enterprises in *other* countries. Mexican oil, British coal, Spanish steel, French banks—the list goes on and on. Either private assets are forcibly seized, sometimes violently and usually during wartime (as recently occurred in Vietnam and Nicaragua). Or a private enterprise is taken by condemnation, with the owners ordered to sell their assets to the government at a "just" price. (This was the method used several years ago by the socialist government of François Mitterrand to nationalize the banks in France.)

It's true that nationalization by these methods has been comparatively rare in the United States. Governments here do, though, take over private assets—the practice just takes a more subtle form. Price controls, confiscatory taxes, and burdensome regulations first force private companies into bankruptcy. Then government ends up the owner by default or by apparent beneficence. Either the bankrupt enterprises abandon their assets to the government as an owner of last resort—as is increasingly happening, for example, with rent-controlled rental housing in New York City. Or the government offers to "bail out" troubled firms and thereby takes control of their assets—as in the federal takeover ("rescue") of Penn Central Railroad in 1976.

An actual case can show how government takeover, US-style, works. Unfortunately, there is no dearth of actual cases. The one we'll look at here illustrates just how slowly and subtly it happens—and, consequently, how insidious it really is.

In 1936, the Blue Ridge Water Company set up service in Washington County, in northwest Maryland, to supply water through a central system to some 300 customers in the rural community of Highfield. Although Blue Ridge was a private company, Maryland law placed it under the regulatory authority of the state's public

service commission (PSC). The commission's ostensible purpose, then as now, was "to protect the public interest"—meaning, among other things, that the company's prices, the rates it charged customers for water, would have to be approved by the commission.

As a governmental, bureaucratic institution, the PSC—like all politicized institutions—had a constituency to satisfy. In this case, that constituency was water users. And water users, of course, like low water rates. So the PSC tended to keep water prices at levels that, it turned out, didn't cover Blue Ridge's real cost of supplying water—its operating expenses plus amortization of equipment and interest charges on the firm's debt.

This gap between controlled rates and real costs widened for all water companies during the 1970s, when inflation rates accelerated. Moreover, federal regulations had mandated many new costs, primarily via the Safe Drinking Water Act of 1974. Congress passed the act in response to reports of chemical contamination of drinking water in New Orleans and to the alleged need to set uniform nationwide drinking-water standards to protect public health.

Under the act, the federal Environmental Protection Agency (EPA) regulates the acceptable levels of inorganic contaminants, bacteria, and so on in drinking water. Where it is not practical to actually monitor these substances, the EPA may require water-system operators to implement specific—and often costly—treatment technologies to protect against the possibility of contaminants. The EPA has conservatively estimated that the total cost of meeting these mandated standards by the end of this year will be between $1 billion and $1.5 billion.

Back at the Blue Ridge Water Company, the PSC-controlled, artificially low water rates were causing two problems. Both, of course, were unforeseen by the commission, which, after all, thought it was acting in the public interest.

First, customers were not given the proper incentives to conserve water. As with any commodity, more of it tends to be consumed at lower prices than at higher prices. As the community grew, so did demand for water, unrestrained by prices reflecting the relative scarcity of water. This growth in demand taxed the water system's capacity, particularly during the summer months. But without the PSC's approval to raise rates, Blue Ridge could neither control demand nor afford to expand its capacity. So it periodically resorted to water-use restrictions—which the PSC, local politicians, and customers took as evidence of inadequate service and poor management.

A second problem with price controls began to appear in the 1970s. By this time, original components of Blue Ridge's water system were beginning to show the sign of wear and decay—leakage. In 1977, the water company, its name now changed to Highfield Water Company, realized that in order to assure adequate service it would have to make $500,000 of capital improvements, which it planned to make in three stages.

In 1977, however, Highfield's receipts were $30,000, which were not even adequate to cover the company's real costs. So it could not finance the improvements internally; nor, with its dismal financial situation, could it raise the funds from a bond issue. Highfield applied to the Maryland PSC for a rate increase, seeking to up its yearly receipts to $60,000. The PSC denied Highfield's request, even though the company's rates hadn't changed since 1968.

Next, the Public Service Commission held hearings to determine the adequacy of the existing system and the need for improvements. And who should show up at the hearings but the Washington County Sanitary District, claiming that it could get a federal grant to purchase Highfield Water Company's assets, make the necessary capital improvements, and provide water at an annual cost of only $15,000.

If it sounded too good to be true, the commission didn't notice that. It revoked Highfield's license to operate and ordered the county sanitary district to assume operation of the system and apply for the federal grant.

After running the system for only several months, however, the district discovered that it could not even meet the system's out-of-pocket operating expenses with the existing receipts of $30,000 a year. Because the district, as an independent government agency, was not under PSC regulation, it could raise its rates, which it did—to yield $60,000 a

Politicizing a problem may at first seem a sensible solution, but nationalizing private assets may cost much more than ever anticipated.

As a governmental, bureaucratic institution, the Public Service Commission—like all politicized institutions—had a constituency to satisfy.

year, precisely the level that the PSC had earlier denied Highfield!

The district also soon discovered that the federal funds it was counting on could not be used to purchase an existing water-supply system—they could be used only to make capital investments. The district then correctly concluded that the least costly option, from its point of view, would be to use the federal funds—which would cover 75 percent of any new capital project—to construct an entirely new, duplicate water system. So the district went ahead and built a new, $1.2-million system, financed by a $900,000 federal grant, with the district picking up the remaining $300,000.

That's the story of the life and death of the Blue Ridge Water Company. A private enterprise was asphyxiated by government regulation. And resources were wasted: the nation's taxpayers had to cough up $1.2 million, whereas a private company could have provided the service for only $500,000, with the users of the service paying for it.

The case of Highfield (née Blue Ridge) is by no means an isolated one. Most of the nation's 64,000 water systems—15,000 of which are privately owned—operate with price controls of one form or another. And while both private and government-owned systems have faced cost increases that, since passage of the Safe Drinking Water Act of 1974, have exceeded the general rate of inflation, the politicians and regulators who set and administer water rates have not allowed prices to increase as rapidly as costs.

The results have been all too predictable:

- Water systems are in urgent need of repair and renovation, particularly in older cities. New York City's, for example, which is the largest publicly owned water system in the United States, has suffered from irresponsible maintenance and replacement policies. Much of the system is now literally falling apart. The annual number of water-main breaks per mile—one basic measure of a system's integrity—has increased more than 60 percent in the last three decades; with improvements in materials and technology, this figure should have *declined.*
- The stock prices of most publicly traded private water companies are close to their book values, which are based on historical costs. Hence, the total value of the companies' stock is actually worth less than the replacement cost of the companies' physical assets.
- Demands for government subsidies and bailouts—to fill the gap between a system's revenues from its controlled rates and its real costs—are increasing in both the public and the private sectors.

And the demands for subsidies have not gone unheard. The federal Farmers Home Administration, for example, has been authorized to grant loans, at below-market rates of interest, for the purpose of improving *publicly* owned water systems. This, after having already granted $1.1 billion in loans (again, to *public* systems) to help meet the mandated costs of the Safe Drinking Water Act.

In addition to these subsidized loans, there are construction grants from the Environmental Protection Agency for system improvements to government-owned water-wastewater systems. In 1985 alone, these amount to $2.5 billion—*60 percent of the agency's total outlays.*

The fate of a small private water company in rural Maryland may at first seem an isolated case of little consequence. But seen in light of this larger pattern of events, it serves as an apt illustration of this moral: politicizing a problem may at first seem an attractive, sensible solution, but in the end the cost of nationalizing—or municipalizing—private assets may well be much greater than ever anticipated. And as a corollary: if you wish to provide the same or improved services at half the cost, privatize public assets and rely on competitive forces, rather than politicians and bureaucrats, to determine the prices and production that will best serve consumers. ◻

Steve Hanke is a professor of applied economics at Johns Hopkins University and a senior advisor to the Joint Economic Committee of Congress.

DOING GOOD MAKES CENTS

Social problems can be solved – but only when they are turned into profitable business opportunities.

By Peter F. Drucker

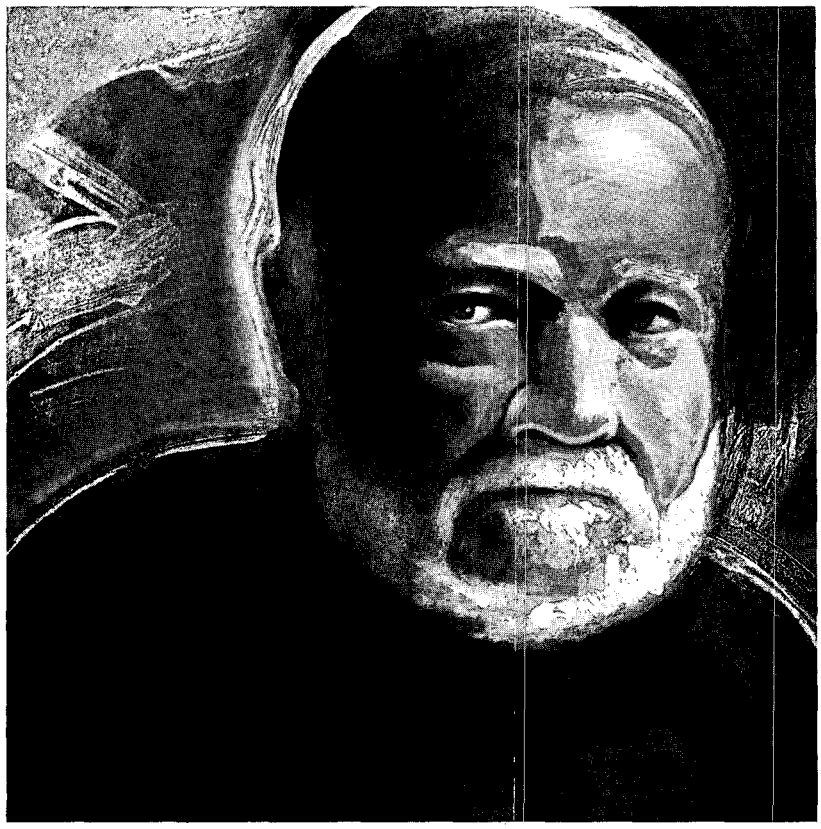
In the early years of this century, two Americans—independently and, in all probability, without knowing of each other—were among the first businessmen in the world's history to initiate major community reforms. Andrew Carnegie preached and financed the free public library. Julius Rosenwald fathered the county farm-agent system and adopted the infant 4-H Clubs. Carnegie was already retired from business and one of the world's richest men. Rosenwald, who had recently bought a near-bankrupt mail-order firm called Sears, Roebuck & Co., was only beginning to build both his business and his fortune.

Both men were radical innovators. Successful businessmen up to their time, beginning with the Florentine Medicis in the 15th century, had aimed at becoming aristocrats. Carnegie and Rosenwald became social reformers. The monuments that earlier businessmen had erected for themselves were cultural: museums, opera houses, universities. In Carnegie's and Rosenwald's own time the leading businessmen—A. Leland Stanford, Henry E. Huntington, J. P. Morgan, Henry C. Frick, and, a little later, Andrew Mellon—still followed this tradition. Carnegie and Rosenwald instead built communities and citizens—their performance, capacity, and productivity.

But there the similarity ends. The two held basically different philosophies. Carnegie, whose philosophy is well presented in Burton J. Hendrick's *The*

Life of Andrew Carnegie, shouted his from the housetops: The sole purpose of being rich is to be a philanthropist. God, Carnegie asserted, wants us to do well so that we can do good. Rosenwald—modest, publicity-shy, unassuming—never preached; but his deeds spoke louder than his words. "You have to be able to do good to do well," was Julius Rosenwald's credo—and, I believe, a far more radical one than that of the anarchist steelmaster from Pittsburgh. Carnegie believed in the social responsibility of wealth. Rosenwald believed in the social responsibility of business.

Rosenwald deeply believed in the need to develop the competence, productivity, and income of what was then still a desperately poor and backward American farmer whose skill and productivity were well below that of the competent farmers of western Europe. As explained by Boris Emmet and John E. Jeuck in *Catalogues and Counters: A History of Sears, Roebuck & Co.*, Rosenwald saw the need to make effective the enormous funds of scientific farming knowledge and farming skills that decades of systematic study of agronomy and farm marketing had brought together. In 1900 or 1910, these were still largely theory rather than practice and inaccessible to all but a tiny minority of large and wealthy agriculturalists.



Rosenwald's motives clearly were "philanthropic," that is, the love of his fellow men. But he also saw—as no businessman, American or European, had seen before—that Sears, Roebuck's prosperity depended on the prosperity of its customer, the farmer, which in turn depended on the farmer's skill, productivity, and competence. The county farm agent—and Sears, Roebuck for almost a decade single-handedly supported this innovation of Rosenwald's until the US government took it over—and the 4-H Club were clearly philanthropy. But they were also Sears, Roebuck's corporate advertising, public relations, and, above all, market and customer development. Their success explains in large measure why the near-bankrupt Sears, Roebuck that Rosenwald had bought became within 10 years the first of the country's truly national retailers, the biggest of the world's great merchants, and one of the country's most profitable and fastest-growing enterprises.

Less than a generation separated Carnegie (born in 1835) from Rosenwald (born in 1862), but Carnegie was still a "rich man"; Rosenwald was an "executive." Carnegie still saw a business as ownership; Rosenwald saw a business as a trust. The one was an owner, the other a manager.

In its view of "social responsibility," much of American business and the American public still follow Carnegie. They accept as he did that wealth and economic power entail responsibility for the community. They may not share his vision of the rich man as social reformer, but they accept, at least in theory, Carnegie's assertion that doing well commits one to doing good. Carnegie's innovation has become a uniquely American institution: the foundation, with one after the other of the super-rich, from Rockefeller to Ford, following Carnegie's example. And Carnegie also set the tone for what is now known as "the social responsibility of business."

Julius Rosenwald has had far fewer followers, though they may have had more profound impacts than the followers of Carnegie. The best known is probably Rosenwald's own successor as head of Sears, Roebuck, General Robert E. Wood. Even greater perhaps was the impact of James Couzens, co-founder of the Ford Motor Company, for 10 years Henry Ford's partner as the company's financial and administrative head, then mayor of Detroit, and finally, from 1922 to 1936, US senator from Michigan and, though nominally a Republican, one of the intellectual fathers of the New Deal. Couzens introduced skill training into American industry as a social responsibility of business. A few years later, in 1913, he established, over Henry Ford's strenuous objections, the famous "five dollar a day" wage, both out of deep compassion for the suffering of an exploited work force and as a highly successful and indeed immediately profitable cure for rates of absenteeism and turnover so high as to threaten Ford's competitive position in the marketplace.

But, in the years to come, the most needed and the most effective—perhaps the only truly effective—approach to social responsibility will increasingly be that exemplified by Rosenwald. Only if business, and especially American business, learns that to do well it has to do good, can we hope to tackle the major social challenges facing developed societies today. Government, the agency to which the generations after Carnegie and Rosenwald increasingly came to look for the solution to social problems, cannot tackle these challenges. They can be solved only if seen and treated as opportunities. And the economic realities ahead are such that social needs can be financed increasingly only if their solution generates capital—that is, generates a profit. This, governments cannot do. But it is precisely what business is being paid for.

Why shouldn't government do these tasks and tackle these problems? Governments have had to concern themselves with "social problems" since time

ILLUSTRATIONS • DAVID NECKER

immemorial. There were the reforms of the Gracchi in republican Rome in the second century A.D. and the Poor Laws of Elizabethan England. But as part of a systematic theory of government, the idea that the solution of social problems is permanently a task of government and one for which no other social institution is fitted dates back only 200 years. It is a child of the Enlightenment of the 18th century; it presupposes a modern civil service and a modern fiscal system. It was first expressed and practiced in the most enlightened of the "enlightened despotisms" and, so to speak, their "development lab"—the Hapsburg Grand Duchy of Florence, where, between 1760 and 1770, the first countrywide hospital system, the first countrywide public-health planning, and the first European countrywide system of free compulsory schooling were established.

The 19th century saw the blossoming of this new idea. From the British Factory Acts of 1844 to Bismarck's social-security legislation in the 1880s, one social problem after another was tackled by governments—and solved triumphantly.

The 20th century and especially the last 50 years elevated this idea to an article of faith, to the point where a great many people consider it practically immoral and certainly futile for a social need to be tackled any way *other* than by a government program and where a substantial majority, only a few years ago in the heady Kennedy and Johnson years, was convinced that *any* social problem would almost immediately yield to attack by government program. But the last 10 or 15 years have brought increasing disenchantment. There is now no developed country, whether free-enterprise or communist, in which people still expect government programs to succeed.

One reason is surely that government is doing far too many things. By itself, a social program accomplishes nothing except the expenditure of money. To have any impact at all, such a program requires above all the hard work and dedication of a small number of first-rate people. First-rate people are always in short supply. There may be enough for a very few social programs at any one time.

But government is also congenitally unsuited to the time dimensions of social programs. Government needs immediate results—especially in a democracy where every other year is an election year. It took 80 years before America's program of agricultural education and research began to revolutionize American farming and farm productivity. It took 20 years before every American at work was covered by Social Security. Would the American electorate have waited 20, let alone 80, years before seeing major results from President Johnson's "War on Poverty"? And yet we know that learning has a long lead time before it shows massive results. Individuals, not classes, learn; and there has to be built up, one by one, a large stock of individuals who have learned, who serve as examples, as multipliers, as leaders, and who give encouragement.

Paradoxically, government, which finds it hard to start small and to be patient, finds it even harder to abandon. Every program immediately creates its own constituency, if only the people who are employed by it. It is easy, all too easy, for modern government to give. It is all but impossible for it to take away. The rule for failures is therefore not to bury them but to redouble the budget and to divert to them the able people who might, if employed on more-promising opportunities, produce results.

God, Andrew Carnegie asserted, wants us to do well so that we can do good.

Furthermore, it is all but impossible for government to experiment. Everything it now does has to be nationwide from the start, and everything has to be finite. But that, in anything new, is a guarantee of failure. It is surely no coincidence that practically all successful New Deal programs had been "piloted" as small-scale experiments in states and cities over the preceding 20 years. The two total New Deal failures, the NRA and the WPA, were also the only genuine inventions without prior experiment at the state or local level.

Equally important as an explanation for the inability of government to tackle successfully the kind of social problems we face is that they are "hard problems," ones in which there are so many constituencies that it is difficult, if not impossible, to set specific goals and targets. It is perhaps here that the social problems of the mid-20th century differ most, and most fundamentally, from those of the 18th and 19th centuries. But the problems we face in the decades ahead will be even harder than those with which we do so poorly now. Each of them has powerful constituencies with radically different—indeed, mutually exclusive—goals and values, which practically guarantees that government could not succeed in solving them.

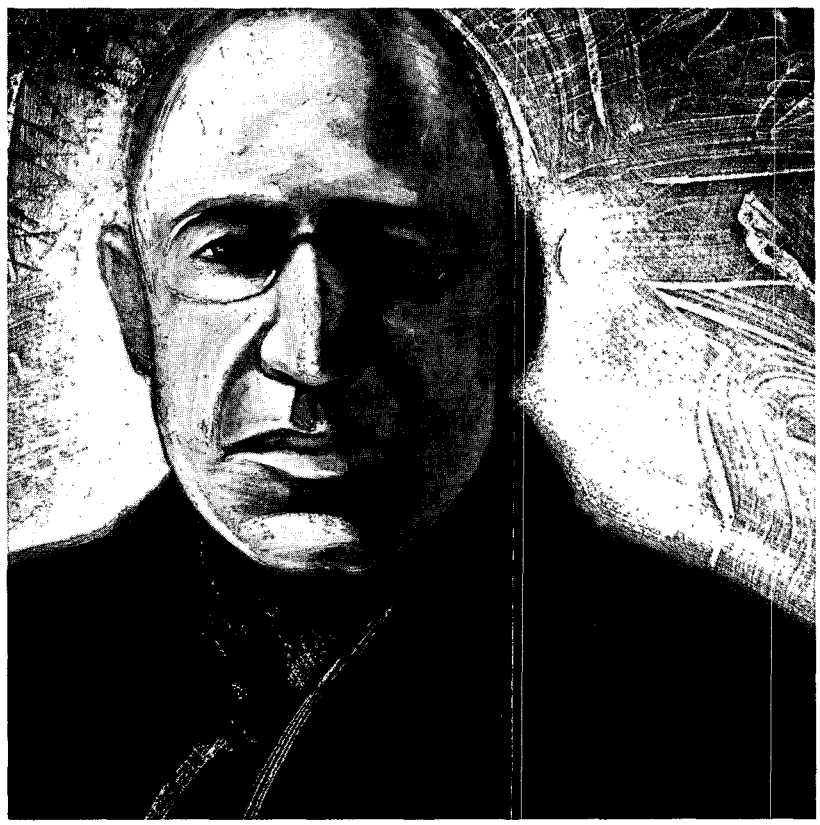
"Reindustrializing America," for instance, means to the labor union preserving traditional blue-collar jobs in traditional industries in traditional industrial central cities—or at least slowing the shrinkage of traditional jobs to the fullest extent possible. However, if reindustrializing America means restoring the country's capacity to increase the output of manufactured goods and to compete internationally, it unambiguously means the fastest possible automation of traditional processes and in all probability a shift to new and decentralized locations. It means, for example, liquidating Big Steel in Pittsburgh and Chicago and shifting to mini-mills near customers.

The first definition is politically acceptable for a short time, but it can only lead to failure, as the British (or the Polish) example shows. But can any *government* program embrace the second definition? Even the Japanese, who reportedly invest in "winners" and starve "losers"—at least according to a currently popular American myth—are finding that it cannot be done politically. Indeed, the Japanese have found that they cannot give up support of a retail distribution system that everyone in Japan knows to be obsolete and frightfully expensive—but the only social security for a fairly small group of older people.

Nongovernmental institutions, whether business or institutions of the rapidly growing nonprofit "third sector," can, however, direct themselves to a single objective. They can break down hard problems into several easy problems,

each capable of solution or, at least, of alleviation. And because nongovernmental institutions can and do compete with each other, they can develop alternative approaches. They can experiment.

The increasing inability of government to "do"—to tackle effectively the social needs of contemporary developed society—creates a major opportunity for nongovernmental institutions, and especially for the most flexible and most diverse of nongovernmental institutions, business. Increasingly, even in countries organized on what are proclaimed to be "socialist" principles, we will have to reprivatize, turning activities over to profit-making businesses or to nongovernmental, nonprofit institutions (which are equally "private"). We will, in other words, have to create conditions under which a task is outlined by government and under which the means to perform the task are provided for either by government or by "third-party payors," but under which the actual performance of a task is done by nongovernmental institutions, especially business, and is done locally and on a competitive basis.



A good example is the American communication system, in which the tasks done exclusively 50 years ago by the post office are now increasingly carried out by a host of agencies competing with each other and with the Postal Service. Quite clearly garbage removal, health care, and many other services will become reprivatized in such a way that the service itself is grounded in public policy and law (if only through tax advantages), while the performance is the task of competitive private business enterprises.

This, rather than the traditional "mixed economy," is likely to be the true mixed economy of the future. It will consist of three parts rather than of the two that the economist talks about traditionally. There will be a private sector, in which government limits itself to protection against fraud, extreme exploitation, collusion, unsafe working conditions, deprivation of civil rights, and so on. There will be a true public sector—for example, defense (excluding procurement) or justice, in which government will both specify the job and do it. And there will be a mixed sector—the best example I know is the American hospital system. It is primarily a private system. Nonprofit community hospitals, church-affiliated hospitals, and proprietary for-profit hospitals are increasingly organized in large and growing chains. All then compete for patients, yet most of their income is public money—whether it comes direct from the government via the tax system or through compulsory private health insurance plans. Another example is defense procurement.

In most of the present discussion of the social responsibility of business it is assumed, if only by implication, that making a profit is fundamentally incompatible with social responsibility or is at least irrelevant to it. Business is asked to do things because it earns, or seems to earn, a "profit," which enables it to do "good" even if it does not obligate it to do so. In most discussions of social responsibility, business is seen as the rich man who should, if only for the good of his soul, give alms to the less fortunate.

"To do good in order to do well"—that is, to convert social needs and problems into profitable business opportunities—is rarely considered by today's advocates of social responsibility—even by those, such as Milton Friedman, who deny that business has any social responsibility. Most of the people who discuss social responsibility, including its opponents, would be exceedingly suspicious of any business that asserted—as does, for instance, William Norris, the founder and chief executive officer of Control Data Corporation—that it is the purpose of business to do well by doing good. To those hostile to business, who believe that profit is a rip-off, this would appear the grossest hypocrisy. But even to those who are pro-business and who then, as Andrew Carnegie, demand that business, the rich man, give alms and become a philanthropist, doing good in order to do well would not be acceptable. It would convert what is seen as virtue into self-interest. And for those who counsel business to stick to its last and to leave social problems and issues to the proper authorities, which in fact means to government, the self-interest of business and the public good are seen as two quite separate spheres. But in the next decade it will become increasingly important to stress that business can discharge its social responsibilities only if it converts them into self-interest, into business opportunities.

The first social responsibility of business in the next decade will be one not mentioned in the discussion of the social responsibilities of business today. It is the increasingly important responsibility for creating the capital that alone can finance tomorrow's jobs. In fact, the oldest and perhaps the only truly valid definition of economic progress is the shift to jobs requiring more capital investment per worker. The demand for capital formation will be as great as the demand was a hundred years ago when today's modern industries emerged, and when capital investment per worker over 20 or 30 short years at least tripled and probably quadrupled.

And there will be equal need for a "surplus" to pay for the research and development needed when technology, as well as the world economy and society, is rapidly changing.

In all countries today, whether communist or capitalist, highly developed or barely developing, capital formation is low. This is in part because of the economic orthodoxies of the last 50 years, which put consumption into the center, asserting—without any shred of evidence, by the way—that consumption will automatically, through a "multiplier," lead to investment and thereby to the formation of jobs. This assertion has, I would say, by now been exploded and disproven.

But also it is becoming clear that we have entered a new stage in the evolution of our economy, in which old industries are still declining or are being restructured, but, more important, in which new industries are exploding—information, communication, biochemistry, bioengineering, and genetic medicine. And with them emerge other totally new industries, such as the continuing education of already well-educated adults, which may well be the major growth industry of the next 10 years and which increasingly is not in the hands of traditional educational institutions such as colleges and universities, but in the hands of entrepreneurs, associations, private companies, educational movie makers, and so on.

This new stage makes great demands on capital formation. But what does "capital formation" actually mean, especially in a modern society in which the traditional incentives to personal savings have largely been eliminated? Different countries have different savings habits, with America traditionally fairly low in its savings rates. But savings rates in all countries tend to go down with two factors: (1) an increase in the proportion of the population past retirement age, who as a rule do not tend to save but who primarily consume; and (2) the degree to which Social Security takes care of the risks and contingencies for which individuals traditionally have been saving.

One example is, of course, the United States, where savings rates have gone down in direct proportion to both the aging of the population and the extension of social services to cover such risks as retirement, illness, and unemployment. Another is Japan. In the last 10 years the savings rate in Japan has been going down steadily—although it is still high. It is now widely predicted that the rate will go down very sharply in the next 10 years as Japan becomes as old a society as the societies of the West (whereas only 10 years ago it was still a very young society in its age structure and younger than any other developed society).

Furthermore, we now have conclusive proof that rising income levels for wage-earning families do not materially increase the savings rate. A hundred years ago, when labor economics first began, the standard argument of the "liberals" was that rising income of the working class as a result of unionization would rapidly raise the savings rate of the lower-income earner. This was considered nothing but an extension of one of the best-proven laws of economics, Engels' Law, according to which the rate of *consumption* of commodities in relation to income does not increase once incomes go above the subsistence level but stays level and eventually declines. Conversely then, it was argued, savings must increase disproportionately.

"You have to be able to do good to do well," was Julius Rosenwald's credo.

But this has not happened. Consumption of traditional commodities—such as bread and today, in developed countries, automobiles—does not go up but at first levels and then tends to decline. But, as we also know, new consumer needs, rather than investment, then take over. So—and this is one of the most important discoveries and totally unexpected—rising income levels by themselves do not lead to rising savings rates, just as rising consumption does not by itself lead to rising investment.

As a result, in a modern economy the main source of capital formation is *business profits.* Indeed, we now know that the term *profit* is misunderstood. There are only costs—costs of the past and costs of the future, the costs of economic, social, and technical change and the costs of tomorrow's jobs. Present revenues must cover both, and both costs are likely to go up sharply in the next 20 years.

The first social responsibility of business is, then, to make enough profit to cover the costs of the future. If this social responsibility is not met, no other social responsibility can be met. Decaying businesses in a decaying economy are unlikely to be good neighbors, good employers, or socially responsible in any way. When the demand for capital grows rapidly, surplus business revenues available for noneconomic purposes, especially for philanthropy, cannot possibly go up. They are almost certain to shrink.

Naturally, this argument will not satisfy those who believe that today's businessman should become the successor to yesterday's prince—a delusion to which businessmen unfortunately are only too susceptible. But princes were able to be benefactors because they first took it away—mostly, of course, from the poor.

There are also those, again especially among businessmen, who believe that to convert problems into business opportunities is prosaic and not particularly romantic. They see business as the dragon slayer—and themselves as St. Georges on white chargers. But the proper social responsibility of business is to *tame* the dragon: to turn a social problem into economic opportunity and economic benefit, into productive capacity, into human competence, into well-paid jobs, and into wealth. ◻

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By Bruce Evoy

Broken Promises in The Great White North

In September 1984, Conservative Party candidate for prime minister Brian Mulroney was swept into office in the greatest landslide in Canadian history. His party won 211 of a possible 282 seats in Ottawa's House of Commons, while the powerful and traditionally dominant Liberal Party won just 40 seats.

Mulroney's smashing triumph brought to an end the stormy 16-year rule of Liberal Pierre Elliott Trudeau, a man who once listed his heroes as Machiavelli, Mao, and Castro, though not necessarily in that order. In his youth, Trudeau had belonged to a small socialist party and spent his time excoriating liberals as "idiots" and "nonentities." Realizing that he would never become prime minister as an overt socialist, Trudeau eventually joined the idiots.

His career took off like a rocket. He was appointed minister of justice in 1967, and one year later Canada, in a fit of "Trudeaumania," elected him prime minister. Trudeau retired after 16 years of trying "to discover how much socialism the people of Canada can be made to accept at any given point in time." There ensued a bitter struggle among his would-be heirs.

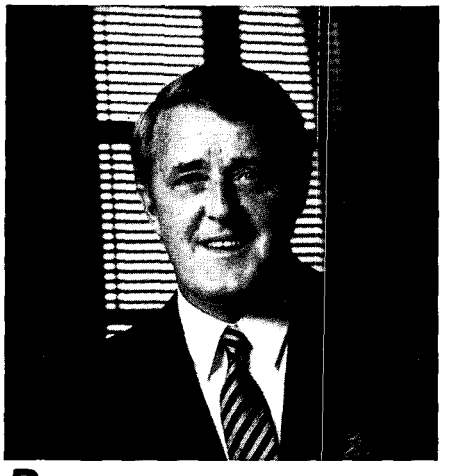
Former Minister of Finance John Turner emerged from a contentious convention the winner in a field of seven. But in the general election, the bland Turner was no match for the magnetic Mulroney, who won easily even in the Liberal stronghold of Quebec.

Mulroney's pre-election promises were legion. He would, he promised:

- slash Canada's Yankee-like budget deficit (it is 7.1 percent of its gross national product, compared with 4.4 percent in the United States),
- strengthen the feeble dollar, down to 72 cents against the US greenback,
- sell off many government-owned enterprises,
- repeal a Trudeau-sponsored law mandating the metric system, and
- curtail Canada's outrageous patronage and sinecure system.

Once safely in office, however, Mulroney retreated from his pledges.

In just one year the deficit has jumped from $36 billion to $40 billion. The dollar's US exchange rate appears in danger of falling below 70 cents. But as the economy weakens, the Conservatives increase the size of the Cabinet and send foreign aid to dictators in Nicaragua, Tanzania, and Mozambique.



Brian Mulroney: Voters hoped he had the right stuff.

There has been no success on the privatization front, either. Government-owned corporations such as Petro Canada, the Canadian Broadcasting Company, Canadair, and de Havilland Aircraft remain in the state's hands. Whether any private firm would even want these debt-laden dinosaurs is another question—Canadair lost $1.7 billion in only two years, while de Havilland was comparatively profitable with losses of just $500 million.

Mulroney's response to the populist outcry against metric tyranny was similarly limp. Metric is to stay the official measurement. Businesses, he said, may advertise in both metric and imperial (the traditional measurement)—but not in imperial only.

The battle over mandatory use of the metric system has been fierce and, I think, underreported in the United States. The cause célèbre of the anti-metric crowd involved two gas station owners who defied the Trudeau government's dictates and sold gasoline in both liters and gallons so their "customers could have a choice." The feds came and sealed their pumps; the two protesters promptly cut the seals and were immediately issued felony warrants.

Their legal costs ran into the thousands of dollars, and a fund was set up to help defray these expenses. Sympathetic Canadians staffed picket lines at both gas stations, demanding that the government rescind the metric law and allow Canadians freedom of choice. Tens of thousands of signatures against forced metric were gathered, and bumper stickers were ubiquitous.

The two took their case all the way to the Supreme Court of Canada and won. The Trudeau government appealed the decision, thus denying court-ordered recompense to the two rebels for the months, or perhaps years, that the case will remain in the courts.

When Mulroney took office and reneged on his commitment to make metric voluntary, he left the renegades in that legal limbo. He could simply order the government to drop the appeal, but he hasn't. So much for voluntary metric.

Mulroney was a vehement critic of liberal abuses of patronage when he was an opposition leader, but he seems to have undergone a change of heart since the election. In one year in office he has appointed more than 1,200 of his Tory friends and political supporters to high-salaried positions. It makes the poor Liberals look like pikers!

Canadians have always been a proud, hardy people, but 16 years of Trudeau's socialism have taken their toll. The purchasing power of the Canadian dollar has fallen by 69 percent. Monthly housing payments have skyrocketed 380 percent. The number of government employees has soared by 39 percent. Bankruptcies are up 315 percent. Canada is choking on excessive government regulation of the economy, and her spirit is flagging.

Many Canadians hoped that Brian Mulroney had the right stuff to halt Canada's decline. But the buoyant prime minister has betrayed those hopes in his first year in office. It's business as usual in Canada, and that's not good news.

Bruce Evoy is REASON's Canadian correspondent.

The Foundation for Economic Education Announces . . .

1985-1986 FREEDOM ESSAY CONTEST

for high school and college students

Ideas determine the course of human freedom. Here is an opportunity for high school and college students to express their own ideas on liberty in FEE's essay contest:

FOUNDATIONS OF A FREE SOCIETY

AWARDS

College division:
First Prize—$2000
Second Prize—$1000
High school division:
First Prize—$1000
Second Prize—$500

First prize essays will be published in *The Freeman*, the monthly journal of FEE. Award winners and three runners-up in each division will receive fellowships for a FEE seminar.

Each entrant will receive a one-year subscription to *The Freeman*.

Entrants should mention any teacher, librarian, dean or adviser (with address) instrumental to their having entered the contest. We will recognize those individuals with a special award of $100 if the students who mention them submit award-winning essays.

GUIDELINES

1. The contest is open to students in grades 9-12 and to college undergraduates. The two divisions will be judged separately.
2. Essays may *not* exceed 3000 words. Shorter essays are welcome.
3. Essays must be typed, double-spaced.
4. Essays should be concise, carefully organized, and correct in grammar, spelling, and punctuation.
5. Essays must be original work, not previously submitted for publication or for any other contest.
6. Facts, figures and quotations cited should be fully documented to their original source, either as footnotes or in a list of references.
7. Each essay should be accompanied by a cover-sheet with the following information: Name, address (give school and home address if these are not the same), phone number, school, grade level, name of faculty sponsor (if any), and date submitted.
8. Entries will not be returned.
9. Deadline for submissions is January 15, 1986.

TOPIC

Essays should present the positive case for individual liberty and responsibility in a free economy. Entrants may choose whatever subject matter they wish, within the above concept. Essays should be focused narrowly enough to allow thorough and effective presentation.

Following is a list of possible topics, to help students begin to choose what to write about. The list is suggestive only and by no means exhaustive.

The Morality of Capitalism
The Case for International Free Trade
How Value is Determined
The Role of Entrepreneurship in a Prosperous Society
A Free Market Agenda for the Developing World
Economic Liberties as Civil Liberties
Helping the Poor in a Free Society
The Proper Role of Government
"Public Interest Regulation" by Market Forces
Majority Rule and Individual Rights

Participants may wish to examine a particular business enterprise; analyze a kind of intervention, its consequences and its free market alternatives; or trace cause and effect in an historical event. What matters is not the particular subject or approach, but the strength and clarity of the case for liberty.

JUDGING

The FEE senior staff will judge the contest. Essays will be evaluated as to which ones, considered in their entirety, make the best case for freedom. The judges' decisions will be final.

All participants will be notified of the results of the contest in March, 1986. Winners and runners-up will be announced in the May, 1986 "Notes from FEE."

Good luck. Write well.

Freedom Essay Contest
Foundation for Economic Education
Irvington-on-Hudson, New York 10533

By Timothy Condon

Putting Junior To Work

There's been much read and said over the years about how the US tax code discriminates against married couples and families. We've seen the "marriage tax," an increased tax bill applying to two-career families who file jointly (only partially remedied by the puny deduction passed a couple of years ago). And there's the problem of trying to raise children while paying taxes, since the $1,000 dependent exemption doesn't even begin to cover the actual costs of raising a kid. Not to mention the treatment of child support versus alimony, which encourages husbands to pay alimony (which is tax deductible) while discouraging payment of child support (not deductible).

However, the *basic* problem is this: when you have a graduated tax system, as we do, there is increasing pressure *not* to make money as you move up the income scale. A small disincentive to productivity and entrepreneurship at tax rates of 15 or 20 percent quickly becomes a *big* disincentive at 30 or 40 percent and more. This is called a "progressive" tax system by ignoramuses, many of whom control tax policy in America.

But this wacky system, which increases penalties on hard work, also encourages "spreading" income. That is, fixing your tax situation so that someone with a very low income receives taxable monies that a high-earner would otherwise have received. Why do this? To get away from those punitive higher tax rates.

Look at it this way: a single person earning a taxable income of $40,000 is going to be up in the 38 percent tax bracket, all other things being equal. Switch that now to *two* people earning $20,000, and the tax bracket for each will be down around 26 percent, quite a bit more manageable. Now divide that $40,000 into four incomes of a taxable $10,000 each, and we find four 16 percent tax brackets. Much nicer, no?

Then our only problem is finding someone to throw our money at. Look no longer: consider your children (or your closest friends, lovers, retired parents, gawky nephews, whoever). Unfortunately, income splitting won't work if you shift income to your spouse: the only two methods of filing for married people—joint filing or "married filing separately"—don't result in lower rates.

What if you have three small children? Do they normally pay for their own diapers and formula? Later, will they pay for their own clothing, babysitting and food? Still later their—gulp—own private school tuition? Not normally, you say? Such things come out of *your* hide, and they're *not deductible*? Well, how about *making* them deductible by shifting some of your income to the little buggers so that they can pay their own way for all the above? They don't have to have actual control over such funds if they're minors. You can still control the disposition of the money (after all, what kid wants to pay for milk, peas, and carrots instead of candy and cake?), but the ownership has to be effectively shifted to your child.

You just have to make sure the money goes for food and clothing for the kid instead of Madonna posters and Quiet Riot albums.

And that's where the tricky stuff comes in. There are three basic ways to shift income: you can give a gift of some income-producing asset; you can set up a trust; or you can hire the child to perform services in your business. This applies to any beneficiary you might choose other than your children, and each method can be used multiple times or in conjunction with each of the other methods.

The idea of a trust to shift income—easier to set up and use than you might think—is to grant income to someone whom you don't want to have ultimate control over the income-producing asset. This may be because the beneficiary is too young to handle the responsibilities involved, or because he might give new meaning to the saying "a fool and his money are soon parted," or maybe because you want that asset to eventually shift back to your ownership.

I'm not going to tell you anything else about trusts. A bit of knowledge is a dangerous thing. Go talk to your tax advisor about shifting income, and see a lawyer about drafting the necessary documents.

Then there are outright gifts. You own a small rental house and it brings in a few hundred dollars' a month income? Why not give that little building to your 10-year-old? Switch the deed over and everything. Then you act as manager for the property and make sure the money goes for food and clothing for the kid instead of Madonna posters and Quiet Riot albums. Only after the kid reaches age 21 (regardless of state rules as to age of emancipation) does the control over that asset have to shift. Then he can buy a Porsche and blow it all.

There's another tax-ruse that people often forget. If you own your own business, or at least have enough control that you can influence who gets hired, why not hire your own kids? Income can be shifted out of your pocket and into the child's. The trick is making sure the little rat spends it on stuff *you* would have had to pay for—medical care, clothing, food, tuition. The immediate result is that the child learns good lessons about work, thrift, responsibility, money, and suchlike. The net result is that everyone has less money stolen by the tax code.

Of course, any of the above tax dodges mandates careful planning, lest the IRS bureaucrats rip you off when they get the chance. Consult someone who knows what he's doing. Leave nothing to chance and you will certainly realize major tax savings. Who loses? Only the government. And who could deserve it more?

Tim Condon is an attorney and tax specialist practicing in Florida.

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By John Dentinger

New England Patriot

They haven't been banned in Boston yet, but the *Boston Herald*'s twice-weekly columns by opinion writer Don Feder are raising the hackles of government employees and pro-state partisans throughout Massachusetts.

Feder doesn't mince words. In a typical column he writes: "No one has to teach us to detest public workers. It comes naturally, by a process of observation and experience." He cites as an example the "arrogant pickpockets of the IRS."

One of Feder's favorite targets is the Postal Service, a topic invariably eliciting outraged replies from postal workers. A sampling: "Real men tote mailbags," and "Journalists just sit on their butts"—and those are just the letters the postal service actually managed to deliver!

Every columnist comments upon the passing holidays, and Feder is no exception. Celebrating April 15, he observes, "If taxes are the price we pay for civilization, then Russia must be the most civilized nation on earth." As for July 4, he wonders why collectivists in America celebrate it and cites the anti-state attitudes of Founding Fathers such as "that venerable guerrilla leader, George Washington"—who, along with Jefferson and company, was pro-private property, and was a "gun nut" to boot.

Writing is the ideal occupation for Feder. "It all comes down to ideas. Ever since I was a student in high school I was fascinated by ideas. I did a lot of reading, joined the debate team. I came of age in the mid-'60s, a time of intellectual ferment. I was at Boston University, majoring in political science, during the '60s, at the height of the anti-war protests and New Left hysteria. I was the token free-market columnist for the *Boston University News.*"

After getting his law degree from Boston University in 1972, he returned to practice law in Johnstown, the small community in upstate New York where he grew up. The practice of law in a small town provided neither excitement nor an outlet to express his political views, so in 1976 he returned to Massachusetts.

While studying for the state bar there, he took what he assumed would be a temporary position—it in fact lasted three years—as executive director of the fledgling Citizens for Limited Taxation, a group formed in opposition to a ballot proposition that would have made the state income tax graduated. Feder and others spoke to civic organizations, participated in radio and TV debates, and organized mailings and the distribution of literature. The campaign was successful: the measure lost by a two-to-one margin.

Don Feder

Feder was then instrumental in getting the group to champion the Massachusetts equivalent of California's Proposition 13. The victory at the polls in November 1978 of "Proposition 2½" limited property taxes to two and a half percent of a property's value—a significant relief in "Taxachusetts," the state with the highest property taxes in the country.

In 1979, Feder moved to the state of Washington and became executive director of the Second Amendment Foundation, a group with about 250,000 contributors nationwide. It was the only educational (as opposed to lobbying) organization supporting freedom of gun ownership. Under Feder's leadership, the foundation published literature, put out a newsletter, and developed a lawyer referral service for gun owners who were being harassed ("denied permits on spurious grounds, arrested for technical violations of gun laws, etc."). Feder also traveled across the country doing talk shows and newspaper interviews, making over 100 media appearances in two years.

While at the Second Amendment Foundation, he began writing a column for the *Journal-American*, a daily paper in the Seattle suburb of Bellevue, Washington. "One evening," Feder relates, "I ran into the editor at a cocktail party. I sent him copies of my *B.U. News* columns." The editor was not interested at first, but five months later he called and asked Feder to do a weekly column.

Writing the column whetted Feder's taste for journalism and allowed him to deal with a wider range of topics than just those pertaining to gun ownership. Also, he and his family missed New England. So in 1981, he returned to Massachusetts and, with writer-economist friend Mark Isaacs, spent two years publishing *On Principle*, a biweekly newsletter providing coverage of political and economic issues from an individualist, free-market perspective. One of their subscribers was a businessman who, dismayed by the perceived liberal bias of the news media, had bought WEEI, Boston's all-news radio station. Feder accepted a position as WEEI's editorial director.

The original promotion for *On Principle* offered copies of Don's *Journal-American* columns as a premium. A Heritage Foundation staffer who thus acquired them sent them to the publisher of the *Boston Herald*, who asked Feder to do occasional pieces for them. "Occasionally" led to weekly, which in turn led to twice-weekly, which is in turn leading to wider circulation: the column is also carried by *Chicago Sun-Times* and the Orange County, California, *Register* and sometimes appears in *Human Events* and *Conservative Digest.*

"The real focus of power in this country," says Feder, "is in newspapers, radio, TV, and book publishing. Not government, but the idea industry." And Don Feder is making sure that at least some of those ideas are pro-liberty.

John Dentinger is a free-lance writer.

Stravinsky, Fabulist of Evil

By Kyle Rothweiler

Igor Stravinsky's *The Rite of Spring* has rightly been considered a fit 20th-century counterpart to Beethoven's *Eroica Symphony* of the 19th century. But whereas Beethoven's work is the first, and probably the best, presentation of the heroic in musical history, Stravinsky's *Rite* is the first, and perhaps best, accurate depiction of evil in musical history.

Stravinsky describes the scenario of the work in his autobiography: "I saw in imagination a solemn pagan rite; sage elders, seated in a circle, watched a young girl dance herself to death. They were sacrificing her to propitiate the god of spring." It is the ancient story of man being crushed between two forces—mysticism and the collective. It is the story of the individual being offered up to the former by the latter. It is, ultimately, the story of that abomination that has cursed the human race ever since it acquired reason—unreason.

The Rite's creator, Igor Stravinsky, is the most influential and most discussed composer of this century, with the possible exception of Arnold Schoenberg. It is therefore surprising that little attention has been given to how unmusical a mind he actually possessed.

Stravinsky's deficiencies in purely musical intelligence are illustrated not only by his ineptitude as a melodist (a startlingly large number of his works have as their raw materials the tunes of others) but by his essays in absolute form—the bleached-out and jerry-built *Symphony in C*, for example. It was only when Stravinsky combined his musical conceptions with a specific didactic intention that he was capable of composing something worthwhile. And it is here that his chief value lies—as a musical fabulist, a Krylov or Aesop of sound.

This is made clear by his preference for narrative ballets and is evident from the beginning of his career, in his two earliest ballets, *The Firebird* (1910) and *Petruchka* (1911). The latter is especially significant as a fable for our times, a story about a sentient being who is a mere puppet, controlled (literally) by external forces. This conception of self is one of the most common impressions of modernist despair, and except in totalitarian countries, it is also totally misconceived. Even if one doesn't buy the determinism of the tale, however, one can appreciate its ingenuity and effectiveness as a conveyer of its theme. But Stravinsky's best work is *The Rite of Spring*, composed in 1913.

Igor Stravinsky (1882-1971): His RITE OF SPRING captured the curse of unreason.

Although *The Rite of Spring* is a story from primordial times, it is particularly relevant in an age of nostalgia when primordial times are enjoying a revival. In the 19th century there were attempts by composers to depict the savagery of irrationalism in its various forms—one thinks of Boris Godounov in Mussorgsky's opera of the same name or the Grand Inquisitor in Verdi's *Don Carlo*. But the great significance of the Stravinsky method in *The Rite* is that for once the evil of irrationality is presented naked, with no dignifying Romantic idiom. The evil of the sacrifice, the irrational hysteria of primitive superstition, is presented in a musical style that takes full cognizance of the horror involved. It is to this end that Stravinsky applied all the techniques that he had devised and that made the piece famous: the violent rhythms; the strange, exotic instrumentation; the primitive-sounding but tonal harmonies combined with wrenching dissonances; and so on.

The melodic materials of the work were based on a series of folk tunes, the same sort of corny peasant melodies that had been the chief influence on serious Russian music for more than 50 years. Only now they were used in a fitting manner; not even Mussorgsky had seen so clearly the underlying connection between the brainlessly primitive and the violently savage. *The Rite of Spring* is, in effect, the *reductio ad absurdum* of musical nationalism, the ultimate artistic expression of the primitive for what it is—not benign folksiness, but tribal barbarism.

To be understood completely, *The Rite* requires knowledge of its ballet scenario and comprehension of the nature of the evils described therein. It is not enough to say that Stravinsky's work is a superb depiction of irrationalism: there are hundreds of modern works that fit this description simply because they sound like incomprehensible ravings. Stravinsky's music is intended as objective description, not as a record of his inner state; it is this that separates Stravinsky the intellectual from a profoundly musical thinker like Beethoven.

Beethoven's *Eroica* is an exercise in pure form through which Beethoven expressed the grandeur of his own soul—and, incidentally, initiated an era. Stravinsky, on the other hand, used his compositional skill to examine external matters. In this case his task was to study the nature of evil and irrationalism as they are exhibited in tribal mysticism, and he succeeded. If the *Eroica* presents a musical *utopia*, a statement of human potentialities, then *The Rite* is the musical equivalent of that 20th-century literary form the *dystopia*, a grim warning.

Although the work is set in the primeval past, it has a peculiar relevance to our time. It was written 70 years ago but continues to be the work that, in some nagging way, seems the quintessence of 20th-century music. But why? The best answer seems to be that listeners hear the work as what it is: an eloquent description, with little left to the imagination, of the modern trend toward totalitarianism and irrational mysticism. The sacrifice of one young girl to the delusions of her savage elders is the

prehistoric prototype of the equally pointless annihilation of millions in wars and concentration camps that has been the predominant activity of modern history. It scarcely matters that the moderns have been sacrificed not to some deity but to some social theory or another: the impulse to sacrifice and to be sacrificed is still there.

Stravinsky himself may not have understood the full implication of what he had done. *The Rite*, however, was his masterpiece, a work whose quality he never again reached. Seemingly frightened of what he had wrought, he became more cautious in his moral judgments. His didactic works came to be characterized less by passionate conviction than by cool irony, such as that evinced in *The Soldier's Tale* (1917) and *The Rake's Progress* (1951). This icy irony eventually took the form, in his "neoclassical" works, of the parodistic glorification of the empty practices of academic hacks, resulting in music impeccably crafted but barren of substance.

In the content of his music, Stravinsky was becoming an amoralist. This is obvious not only by the increasingly indifferent emotional tone of his works but by his tendency to turn to religious texts and subjects. It is possible that as he observed the human race moving to embrace the evils he had warned against in *The Rite*, he began to seek a refuge in religion. But in doing so he diminished any possibility of his having a role in solving the moral dilemmas of his time. Morality is necessarily concerned with the free will of rational beings choosing between right and wrong: it is essentially a guide to reasoned action. Inasmuch as formal religions tend to prefer their devotees to act on edicts and dogma, they are ill-equipped to deal with fundamental moral questions.

And Stravinsky was perhaps the most honest religious composer ever. His music to religious texts conveys fully the literal sense of the words, the indifference to earthly things that is the essence of formal religion. It is impossible to imagine a listener being converted by it, as one can imagine his being converted by Bach's *B-Minor Mass* or Beethoven's *Missa Solemnis*, overwhelmed by the sheer emotional power of the music. Listening to a Stravinsky piece like *The Symphony of Psalms* (1930) or *Canticum Sacrum* (1955), one is reminded more of the bland despair of Middle Ages Gregorian chant than of the life-affirming exuberance of Romantic sacred works. This is appropriate; Stravinsky was a man of his time and was intelligent enough to observe that the Middle Ages, with their burden of irrationality, superstition, and oppression, were making a comeback. Only this time Stravinsky was writing not as an indignant protester of the 20th-century trend against reason but as a phlegmatic supporter of it.

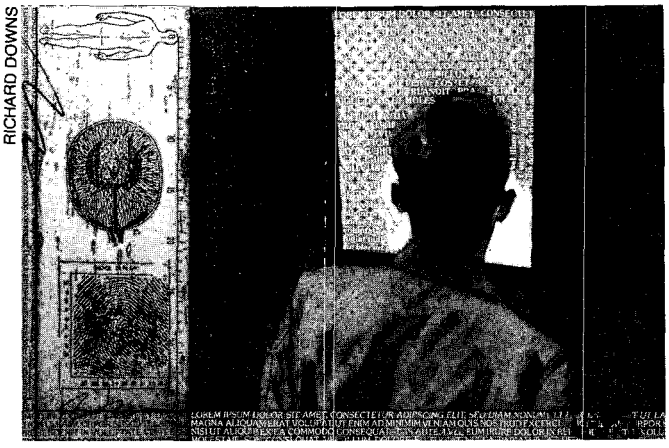
Toward the end of his long life, Stravinsky tended to write and talk about his art as much as he created—always a danger signal in an artist. His intellectualism led him in his youth to produce works of originality that attempted to reflect the world around him and in his middle age to adopt various half-baked versions of "art for art's sake" to defend a series of increasingly dull works. In his old age, that same intellectualism made him an erudite bore. And the moral fervor that had directed his youthful originality toward instructive ends eroded to the point where he was no longer capable of providing moral guidance in his music.

Kyle Rothweiler is a free-lance writer and is currently writing a book on modern music.

A Triumph of the Will

By Holmes Alexander

Here I am in a nut house. Many times in arrogance and perhaps in fear, I had vowed never to go to a psychiatrist. But I had walked unshackled into this university hospital ward clearly marked "Mental Health." It wasn't bedlam, nor snakepit, nor the cuckoo's nest. But the doors at each end were locked. Security guards, I would learn, were on call against violence. There would be no brainwashing, but it was no place for reticence.



My problem was chronic insomnia. Insomnia, I later learned, is not an illness but a symptom of depression. Not uncommon in post-retirement, it has to do with introspection and a lifetime of memories. In my case the aggravating memories had to do with the cold editor, the unsold story, the bombed-out book, the unkissed girl, the unfought fight, the "road not taken," just as in every human life.

Under medical advice I had swallowed many prescribed sleeping pills and gained only an addiction and shattered nerves. Simpler advice—to get up from a sleepless bed and go for "a walk around the block"—took no account of the crime wave in our capital city. "Sir," a uniformed policeman accosted me, "what's an old man doing out here alone? My partner and I are looking for a guy with a gun. Please go home."

After two years of pillow-punching I decided to see a specialist. This alienist asked me to subtract 7 from 100; he had me recall the names of my grade school teachers; he questioned me about sex activity and death wish. I was ready to cancel this sophomoric psychology when he mentioned the Sleep Clinic, at which I leaped like a trout at a fly.

Soon after the corridor doors slammed shut behind me, I felt entrapped. The resident physician explained that this was not only a sleep clinic, it was an all around problem-clinic. Had the alienist resorted to a white lie to get me here? Or had my subconscious rephrased his words to fit my desperation?

A problem clinic? It was that, all right. My first roommate (a sweet, gentle fellow when I got to know him) was a purple African who would rend the darkness with shouts in a mix of his native lingo and colonial French. Next I roomed with a puzzled lad who dreaded his bar exams. My third roomie was a realtor in distress over the high interest rates.

life & liberty

Here was a floating population of 20-odd—the black and white, the college kid and college teacher, the confused adolescent and tough-guy laborer, the soft-spoken ingenue and obscene loud mouth, and a polite Oriental who spoke no English and was taking the cure by osmosis.

Some of us were in for a short stay calibrated to our Medicare and private insurance; some were transfers from better or worse places than this; still others were serving a third or fourth term. You could tell which ones were capable of accepting help and which were beyond it.

Call it a benevolent police state. We had wake-up calls and clean-up duties. We met in group therapy classes. I didn't see any paper dolls, but we molded clay, danced to instructions, performed play-acting to reveal our repressions, told our troubles aloud, and commented on those of our fellows.

It was all compulsory. There were no black snake whips or cattle prods, but there were persuasions. If you didn't participate, the staff wouldn't allow you "pass-and-privilege," which permitted restricted and accompanied freedom outside the locks. Only by cooperating could one earn his discharge. A recalcitrant patient could leave on 48-hour notice, but only A.M.A.—against medical approval.

When told that I must kick the sleeping pills or else, I toughed out some sleepless nights and broke the reliance. I learned that, with will power, much is possible. Human beings are gifted with free will and have the potential to select and reject their thoughts. Insomnia cannot be expelled like spittle, but through practice and diligence it can be defeated.

It took a while to acknowledge the causes of my depression. A beloved wife had died in this same hospital after a distressing mental illness—I had never talked it out. A scribbler since prep school, I became a professional writer without setting the lake afire—and I'd balked at saying, "So what?" A syndicated columnist for 34 years, I had supposed that at 75 the transition back to free-lancing would be a cinch—it wasn't. I had stubbornly persisted at this advanced age in writing creative fiction—yet how to explain those two unpublished novels? "So you're not Shakespeare," I was told. "Come off it."

In sum, I'd grown older but not wiser. Let me say to all who come after—even that isn't so bad once it's admitted to one's self.

Holmes Alexander is a free-lance writer.

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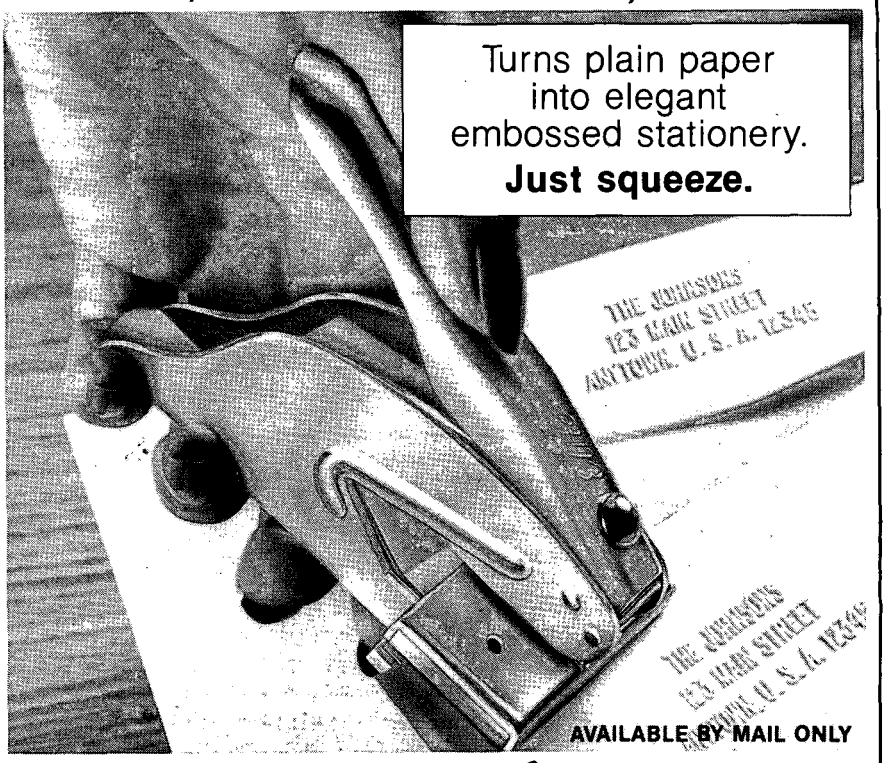

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The Wrong Road to Space

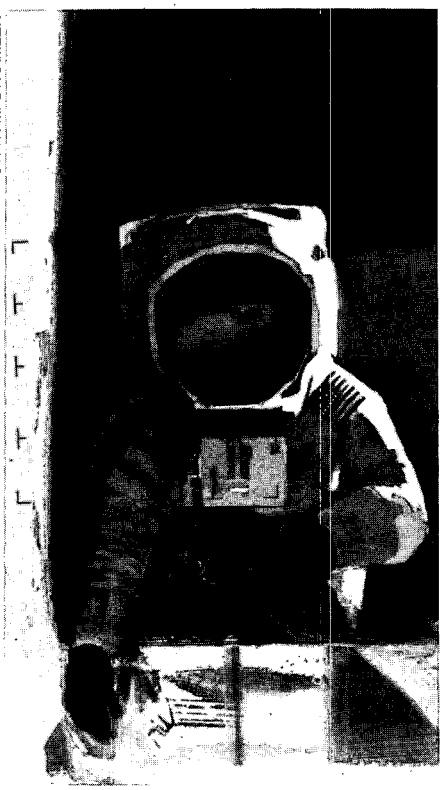
By K. Eric Drexler

The Heavens and the Earth: A Political History of the Space Age, by Walter A. McDougall, New York: Basic Books, 576 pp., $25.95

In an interview with Walter Cronkite during the Apollo 11 mission to the moon, Lyndon Johnson praised the space program as a source of progress. Until the USSR had launched its Sputnik, he said:

> we didn't have any Federal aid for education.... So we started passing education bills, we made a national effort in elementary education, a national effort in higher education, where two million students were brought into our colleges. And they said, "Well, if you do that for space and send a man to the Moon, why can't we do something for grandma with medicare?" And so we passed the Medicare Act, and we passed forty other measures.... And I think that's the great significance that the space program has had. I think it was the beginning of the revolution of the '60s.

Why did the challenge of space chiefly invigorate the federal government? This question is central to Walter McDougall's *The Heavens and the Earth: A Political History of the Space Age.* But he covers far more than just the US space program—his true topic is the relationship among technology, politics, and foreign affairs in "an age of perpetual technological revolution."



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McDougall traces the rise of centrally directed research and development (or "command technology") to the pressures of 20th-century warfare and, in particular, World War II. The atomic bomb, the ballistic missile, radar, and the electronic computer all were credited to command technology. And these successes made central planning more credible.

Later, the Soviet example loomed large. The Soviet state made technology and central planning its emblems, and Sputnik blazed them across the heavens. McDougall traces the causes of the Sputnik surprise, from the long Soviet tradition in rocketry to the US army inspectors sent to keep Werner von Braun, working on the development of military missiles, from "accidentally" orbiting a US satellite with the technology he was developing (since US policymakers preferred that the first satellite be a civilian one). He then describes the media uproar, Soviet propaganda, and global confusion that followed the Soviet Sputnik success. In the minds of the ignorant, a limited technical achievement became a great victory for the Soviet system as a whole.

To defend American virtues, America aped Soviet methods, turning to "five year plans and national mobilization under federal bureaucracies." With this came a fresh wave of enthusiasm for grand federal programs. If we could reach the moon by central planning, what couldn't we achieve? Success at organizing employees to plan and build rockets was seen as proof that new management methods would enable government to plan and rebuild society itself. And so the '60s and '70s were churned by a federal activism unheard of in the Eisenhower years.

McDougall tells a story that reaches from Stalinist views of technology to congressional views of the Atomic Energy Commission to the decisions that led to the present US strategic posture. Throughout, he focuses on the dilemmas faced by a free society forced into a technology-based military competition with a mobilized, totalitarian adversary.

Yet in arguing his thesis about technology, international competition, and centralization, McDougall downplays other centralizing forces and the example of the New Deal era. The book also contains errors of technological, scientific, and historic fact—hydrogen bombs are not "more compact" than fission bombs, the earth is not merely "2.8 billion years" old, J. D. Bernal was a Marxist physicist (not a "Marxist sociologist"), and so forth. Finally, in the last two chapters the book plunges nose-down into a murky discussion of systems analysis, humanism, theology, and the need for G.O.D.—a Guarantor of Decisions.

These final chapters clearly betray what earlier chapters suggest: McDougall suffers from attitudes characteristic of what Nobel laureate F. A. Hayek calls "constructivist rationalism." That is, he overestimates our ability to control or plan outcomes of economic and social interactions. Though McDougall clearly cherishes the spontaneous order of a free society, he does so from the stance of a conservative—he seems to believe that order requires orders and that trustworthy knowledge requires a trustworthy source. This leads him to accept the arguments of central-planning advocates too readily. He speaks of the historical US pattern of research as a "luxury" permitted by our isolation, wealth, and established competence. This luxury, he says, vanished in 1941. He sees the alternative as the "centralized mobilization of intellectual resources"—a development that, though he sincerely regrets, he finds inevitable.

In this, McDougall has fallen into the historian's natural trap. He slips from describing *historical* decisions in terms of the then-considered options to describing *present* decisions in terms of those same options. In short, he neglects the possibility of new alternatives to old dilemmas.

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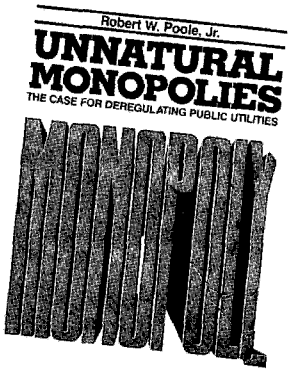

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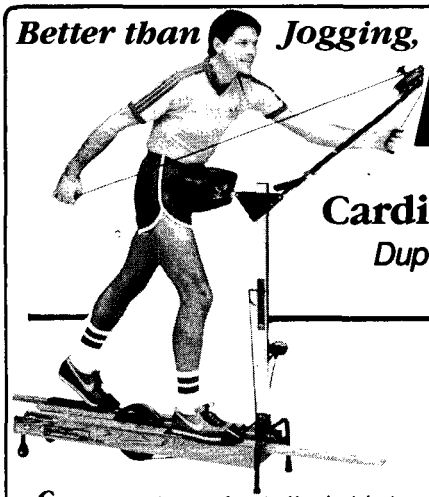

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world, the free nations—to remain free and at peace—need massive military strength based on rapidly advancing technology. But this has been sought through central planning, funding, and management, directed by bureaucratic federal monopolies. Even if there is a need for federal *funding* and *control* of defense, however, entrepreneurship and competition could surely play an expanded role. Why should the planning and management of defense be the province of a bloated monopoly? Why not seek a way to apply the principle of free competition under law to this vast and vital enterprise? If history is any guide, the result would be greater efficiency and innovation.

A historian need not suggest new options, but neither should a historian imply that old options are all we have. For example, under the Eisenhower administration, talk about communications satellite (comsat) technology began to surface. At the time, decisionmakers in both the public and private sectors simply presumed that the public sector would have to play a large role in subsidizing the development of comsat technology and in operating such a satellite system. The battle was over precisely what role government should play, rather than whether it should have any role at all in the development and operation of comsat technology.

McDougall writes that "one can only guess at the consequences had a free market in comsat technology...prevailed." In fact, one can make rather well-informed guesses, but he does not do so. Someone else must write the story of how federal policy blocked the emergence of private space industries, encumbering free-world space efforts with high costs and clumsy bureaucracies.

It is ironic that the Apollo program stands in the public mind as a monument to effective federal action. The slogan, "If we can send a man to the moon, why can't we...?" really meant "If a federal program can send a man to the moon, then why can't a federal program...?" But as McDougall reminds us, the Apollo program was a *failure.*

Before Apollo, informed opinion favored building orbital spacecraft and a space station and then assembling a moonship in orbit. It was a *political* decision to aim at the moon immediately, not even pausing to learn to piece together a moonship in Earth orbit. An alliance of bureaucrats and politicians favored the giant Saturn V rocket and a system for separating and joining spacecraft in

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lunar orbit—an approach that the President's Science Advisory Committee, even at the outset, described as a "technological dead end." And so we reached the moon in a special-purpose stunt machine, and then quit.

The federal program to open the space frontier collapsed, and the Apollo hardware was soon scrapped. Today, as NASA begs subsidies for its costly Space Shuttle and begins to beat the drums for a stunt-flight to Mars, space advocates would do well to remember this history.

The chief virtue of McDougall's book is that it places technology—the most dynamic force of the modern world—at the center of the historical stage. As we approach a time when computer-aided engineering will floor the accelerator of technological progress, the relationship among liberty, politics, and technology must become a central concern. *The Heavens and the Earth* holds few answers, but it can help us shape better questions.

K. Eric Drexler is a research affiliate at the Massachusetts Institute of Technology and a director of the L-5 Society. His book on technology and the future, Engines of Creation, *will be published this spring.*

The Causes of Cancer: A Poisoned Discussion

By David M. Stewart

Toxic Terror: Exploding the Myths of the Environmental Fanatics, by Elizabeth M. Whelan, Ottawa, Ill.: Jameson Books, 292 pp., $16.95

Is America poisoned? When a glib environmentalist or an aerobically fit actress tells a mid-morning TV audience that 80 to 90 percent of cancers in the United States are "caused by our environment," the audience "knows" what it means. So do students who hear the same thing from their teachers and from social studies "learning materials." They mean, and many Americans have come to believe, that man's mastery of nature has devolved into an assault on man's health. Especially in the United States, technology is turning our environment into a toxic terror.

Continued use of the "80 to 90 percent" figure reveals, however, not an urgent warning, but a cavalier attitude toward scientific truth. *Toxic Terror* is a wide-ranging examination of the slipshod science and fear-mongering propaganda of what Elizabeth Whelan, executive director of the New York-based American Council on Science and Health, calls "chemophobia."

The figure attributing 80 to 90 percent of all cancer to environmental causes exemplifies how that myth has been nurtured and sustained. It comes from a study of certain types of tumors among African and American blacks, conducted by Dr. John Higginson, founding director of the World Health Organization's International Agency for Research on Cancer.

Higginson concluded, Whelan says, "that about two-thirds of all cancers had an environmental cause and were, therefore, theoretically preventable." But by "environmental cause," Higginson told the journal *Science* in 1979, he meant "the total environment, cultural as well as chemical....Environment is what surrounds people and impinges on them," including personal habits, such as smoking, alcohol and drug abuse, diet, tanning, and sexual and reproductive patterns, as well as living place, therapeutic medical procedures (including drugs and radiation), high doses of nonmedical radiation, and occupational exposure to substances such as asbestos and vinyl chloride.

Directly contradicting the "America is poisoned" lobby, Whelan cites a classic work on cancer epidemiology, Sir Richard Doll and Richard Peto's *The Causes of Cancer* (Oxford University Press, 1981). This study, by best estimate, attributed 78 percent of cancer deaths to personal habits and living place. Medical procedures account for 1 percent, and infections may cause up to 10 percent. Though Jane Fonda's best-selling *Workout Book* tries to alarm millions of women with the warning that "cancer is a byproduct of the petrochemical age," the more scholarly Doll and Peto find that the best estimate of cancer deaths caused by pollution is 2 percent; by industrial products, less than 1 percent.

Thus a legitimate statistic is put to political use, exploiting the public's contextual misunderstanding of the word *environmental*, to put more chemicals under government control. Meanwhile, Whelan points out, "the carcinogens-around-us philosophy leads to a sense of fatalism....If 90 percent of cancers are caused by the environment, why should we bother" to quit smoking or change our diets?

Whelan never claims that there is no danger in chemical contamination of our environment. But we cannot rely on "layman's epidemiology"—the axiom that if someone exposed to a chemical (at any level) gets sick, the chemical caused the illness, and its corollary that exposure to any synthetic chemical or man-made pollutant is potentially lethal—to guide us in weighing the benefits and hazards of chemicals.

Last year, the federal Environmental Protection Agency banned the use of the preservative-pesticide EDB (ethylene dibromide) on fruits and grains, after media reports of minute traces of the substance in treated grains, citrus fruits, and other foods. EDB has been found to be a carcinogen in long-term, high-dose tests on rats and mice. The EPA estimates that the average consumer takes in, on a body-weight basis, less than a quarter-millionth EDB as much as the rats' test doses; to get a dose equivalent to the test dose, you would have to eat about 800,000 pounds of food a day—for life.

As Whelan says, "Such an immense difference in the doses...is in itself enough to justify skepticism about...the hazard faced by consumers." In addition, workers who have been occupationally exposed to EDB for up to 16 years or more have shown a cancer incidence "*not* significantly different from that expected in an unexposed population."

Yet the EPA—and hence the media and environmental organizations—maintained for months last year that continued use of EDB would cause three extra cases of cancer per thousand people. Then, just before the ban took effect, the EPA found that its estimate was at least 14 times too high. This information was inexplicably withheld until after the ban had passed.

Okay. Even if the cancer risk is much lower than the figure the EPA originally maintained, shouldn't we eliminate that risk anyway? "Let's ban EDB just in case," is the typical reaction. "We have nothing to lose."

But we do. The alternatives to EDB are much more dangerous than EDB itself. EDB wasn't used because farmers and food makers like to make people eat poisons. EDB protected growing and stored foods against insects, which are hazardous in themselves and also spread and facilitate the growth of toxins.

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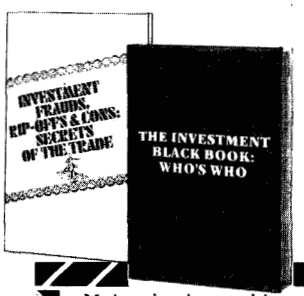

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Whelan points out that "there is no evidence" that exposure to trace levels of pesticides "increases the risk of cancer, birth defects, or any other human ailment"—*no evidence.* "The EDB phenomenon could happen only in a highly affluent society. . . . The preoccupation of most of the world is not with traces of pesticides or additives. . . . The reality is that we compete with insects for food. Losses on a global scale have been estimated to be as great as 45 percent."

Similar stories are told of other chemicals: DDT, PCBs, PBBs, formaldehyde, dioxin. Cases of hazardous misuse can almost always be found, but proper use has presented many benefits and no demonstrable hazards. Why, then, do we rarely hear a perspective like Whelan's in the mass media?

The mass media are geared to the crudest outlines of an issue, and reporters are not just looking for the facts but for a story—and that requires drama. Scary anecdotes and dire warnings are, as the *Washington Post* has put it, "red meat." Cautious evaluations of peer-reviewed articles in staid scientific journals are—well, boring.

Moreover, Whelan astutely observes, when it comes to reporting on controversial chemical or technological issues, "it is *de rigueur* for the media to concoct a debate format." This lends drama. It also looks like the media are presenting both sides of an issue—even when one side offers pseudo-scientific hysteria and "even though the protechnology guest represents 99.9 percent of the scientific community's views." Certain alarmist scientists (and organizations) even become widely known, seen, and read as *the* experts in their field, since they are among the few scientists who can be counted on for a dramatic and scary story—often because, Whelan charges, they "feel free to cite data rejected by consensus of the scientific community."

Some examples: Dr. Ernest Steinglass, whose definitively refuted charge that the Three Mile Island nuclear accident caused "several hundred" infant deaths reads like a textbook example of how to lie with statistics; Dr. Beverly Paigen, whose study of birth disorders in the Niagara Falls (Love Canal) region was rejected in 1980, by a panel of physicians appointed by the governor of New York, as "literally impossible to interpret";

Reporters are not just looking for the facts but for a story, and that requires drama—scary anecdotes and dire warnings.

Lewis Reginstein, whose *America the Poisoned* (Acropolis) was still, in 1982, citing Paigen's study as authoritative proof of a disaster at Love Canal; Dr. Samuel Epstein, whose *The Politics of Cancer* (Sierra Club, 1981) contended that we are in the midst of a cancer epidemic, when in fact, except for steep increases in lung cancer, cancer incidences and mortalities have declined sharply or remained steady for decades, adjusting for age and depending on the site.

While *Toxic Terror* is thorough, illuminating, and convincing, it has some annoying flaws. Whelan is clear but not much of a stylist, and the book has many clumsy jokes and phrasings. In addition, in trying to catch her quarry off-guard, Whelan makes some arguments that are either trivial or nonsensical: She says that "the environmental alarmists like to point to carcinogens and poisons in the air of our cities. . . . Cigarette-induced air pollution, however, doesn't interest the environmentalist."

Well, first, a concern with toxins in the air doesn't sound like alarmism to me. (The book is sprinkled with red-flag phrases like this; even the subtitle talks about "environmental fanatics.") Second, it just doesn't seem to be true that cigarette pollution doesn't interest environmentalists. Anyway, industrial air pollution *is* a more public issue than smoking: You *can* smoke without polluting the air of others; you *can't* run a coal-fired powerplant without doing that. Advocating regulation, Whelan never considers arguments for dealing with air pollution by more clearly defining property rights, as a growing body of free-market environmentalists proposes. Does *she* therefore think we should regulate smoking, too?

These problems with the book crop up when Whelan is trying to use emotional persuasion through wit, indignation, or exposure of hypocrisy. It doesn't work here, but it doesn't have to. *Toxic Terror*'s persuasive power comes from thorough and sober analysis. It is a breath of fresh air in the public debate on toxic substances in the environment, soundly separating hysterical fear and politicized science from cautious concern and good science.

David Stewart is a free-lance writer in Madison Heights, Michigan.

Big Business: Friend or Foe of Hitler?

By Ralph Raico

German Big Business and the Rise of Hitler, by Henry Ashby Turner, Jr. New York: Oxford University Press, 528 pp., $25.00

Capitalism, according to economist Joseph Schumpeter, stands its trial before judges—the intellectuals—who already have the sentence of death in their pocket. As evidence for this dictum, consider the succession of arguments used to vilify the system. Capitalism, critics argue, condemns the working masses to poverty; it decrees the annihilation of the middle classes between monopoly capitalists and pauperized proletarians; it leads to military and political expansion into the precapitalist world, thus producing increasingly frequent conflicts among the capitalist nations; it maintains or destroys (take your pick) the family unit; and so on. No sooner is one argument rendered dubious or nuga-

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His writings have been used in numerous style and content workshops and accredited courses at such institutions as California State University, UCLA, Fordham, University of Illinois and Worcester Polytechnic Institute.

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— Dean F. V. Du Vall

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tory by historical developments or rational analysis than it is replaced by another. The verdict is always the same: capitalism is guilty. It is the *of what* that keeps changing.

A historical thesis popular today in East Germany, the Soviet Union, and in left-leaning circles in West Germany and elsewhere proposed to lay a very large sum indeed on the debit side of capitalism's account. This thesis states that the major (or one of the few major) causes of the Nazis' coming to power in Germany in the 1930s was the vigorous and generous support accorded Hitler's movement by German big business. It is not clear, logically, how these alleged actions of even a large number of German *capitalists* can constitute an argument against *capitalism* itself, but the rhetorical effect, and intention, of the argument is clear: "in the last analysis," capitalism was responsible for Nazism, World War II, and genocide.

Mainstream Western historians have not, of course, gone to the lengths of their left-wing brethren in tying big business to the rise of Nazism. Still, ever since the connection was postulated back in the 1920s, Western writers have tended to acknowledge big-business support as significant, at least at certain crucial points, in Hitler's success. After the publication of Henry Ashby Turner's *German Big Business and the Rise of Hitler*, a magnificently researched and brilliantly reasoned book, this will become difficult indeed for any honest historian.

With masterly thoroughness and care, Turner, of Yale University, traces the development of relations between the German business community and the Nazi movement. In the earlier stages—before their electoral breakthrough in 1930—the Nazis excited virtually no support and a good deal of hostility and suspicion among the business elite. (Their one important convert was Fritz Thyssen, prominent in the steel industry.) This derived largely from the anticapitalist elements in the National Socialist ideology and practice, although Nazi anti-Semitism also often offended big businessmen, who tended to consider this form of bigotry vulgar and plebeian. The prominence in the Nazi ranks of men like the economic crank Gottfried Feder, with his rantings against the "tyranny" of lending money at interest, and Josef Goebbels, whose diatribes against capitalism sometimes could not be distinguished from those of the Communists, was also hardly reassuring to the business community. Until the very end, its members preferred to support the "bourgeois" parties (DVP, DNVP, DDP), more dependable from their point of view. It was to them that big business channeled the great bulk of its political contributions.

Where, then, did the Nazis obtain financial support? At first, seed money came from disparate sources, including the Pan-German League, White Russian émigrés, and a few smaller businessmen, like Edwin Bechstein, the owner of a Berlin piano company. But the financial undergirding of the Nazis' march to power, through the lean years of the 1920s and even the period of growing influence after 1930, was forged by the fanaticism of their own membership.

book hints *a selective mention of books received for review*

"Fair of speech. . . . And sometimes of intention too. But at other times foul of meaning and dishonest in intent." With these words, editor D. J. Enright introduces us to the world of euphemisms in *Fair of Speech* (New York and Oxford, Eng.: Oxford University Press, 228 pp., $15.95). Orwellian "newspeak" marches across the pages of the chapter on political euphemisms, where governments "pacify" rather than conquer enemies and "nationalize" rather than forcefully acquire private business. Other euphemisms, whose intent is merely to cushion the truth, receive gentler treatment in chapters on sex, children, or work.

The Third World (yes, that's a convenient euphemism for the rather denigrating "poor countries") has recently taken center stage in the media with reports of famine, soaring debts, and political instability. Four recent short works illuminate different dimensions of Third World problems and prospects: *US Aid to the Developing World: A Free Market Agenda*, edited by Doug Bandow (Washington, D.C.: Heritage Foundation, 152 pp., $8.00 paper); *Theology, Third World Development, and Economic Justice*, edited by Walter Block and Donald Shaw (Vancouver, Canada: Fraser Institute, 145 pp., $5.00 paper); *Are World Population Trends a Problem?*, edited by Ben Wattenberg and Karl Zinsmeister (Washington, D.C.: American Enterprise Institute, 53 pp., $6.95); and *Paths to the Future: Women in Third World Development*, by Brigitte Beyer, Shelley Green, and Jerry Jenkins (Sacramento, Calif.: Sequoia Institute, 70 pp., $2.00 paper). All depart from the collectivism that dominates current discussion of Third World development. Says *Paths to the Future*: "Unlimited development" requires "limited government" in which individuals are "accorded both primary responsibility for their own successes and the corollary rights necessary for succeeding."

And, speaking of departures from conventional wisdom and the subject of women (this time in the United States), authors David Kirp, Mark Yudof, and Marlene Strong Franks urge in *Gender Justice* (Chicago: University of Chicago Press, 240 pp., $19.95) that in trying to further sexual equality, governments would best encourage choice rather than promote particular outcomes.

Choice is the theme of another book, *Crime by Choice: An Economic Analysis*, by Morgan O. Reynolds (Dallas, Tex.: Fisher Institute, 232 pp., $24.95/$8.95). Reynolds contests the view that crime is the product of society's influence on behavior and that individuals bear no responsibility for their actions.

Contesting another commonly held myth, Nicholas Wolfson challenges the belief that publicly held corporations are powerful ministates. In *The Modern Corporation: Free Markets versus Regulation* (New York: Free Press, Macmillan, 191 pp., $25.00), he argues against the need for strong government regulations to "protect" the public from these giants, contending that free-market competition can contain corporate activities.

Another large institution on the American landscape—the philanthropic foundation—is examined by journalist and historian Marvin N. Olasky in *The Council on Foundations* (Washington, D.C.: Capital Research Center, 58 pp., $3.00 paper). The Council is "the establishment of the foundation rich," says Philip N. Marcus in a preface; and Olasky probes its propensity to advance governmental rather than voluntary solutions.

—*L. S.*

The great German Socialist party, the SPD, had shown how a major political organization could be supported by its own adherents. The Nazis, as Turner says, "applied socialist organization and financial techniques to a considerably more affluent following."

After the Nazis had established themselves as a major factor in German politics, some big businessmen contributed relatively minor subsidies, mostly to particular Nazis. The aim was to assure themselves of "friends" in positions of power, should the Nazis enter the state apparatus. Other industrialists, like many other anti-Marxists, looked forward to bringing the Nazis into a great conservative coalition—in effect, "taming" them and exploiting their popular appeal for traditional right-wing purposes.

All these efforts, however, were quite marginal to the process of Hitler's ascent to power. His strategy called not for mobilizing big business behind him but for neutralizing it as a possible hindrance, a task he astutely accomplished. In time, those from smaller and medium-sized firms came to join the Nazis in substantial numbers. On the other hand, there were fighters for the good cause until the end, among them "the Hansa-Bund, a pro-free trade, anti-cartel organization with a sizeable following in banking, commercial, and manufacturing circles," which continued to brand the Nazis the "vigorous enemy of the individualist and capitalist order for which we stand."

Turner's book is a work of historiographical revision in the best sense of the word—the replacement of ideologically motivated myth by a truer picture of past reality, based on the most comprehensive command of the sources. In the course of this salutary debunking, the author has occasion to examine more specific legends that have come to be enshrined in accounts of the period. These legends—concerning, for instance, Hitler's appearance at the Industry Club of Düsseldorf in January 1932 and his meeting with Franz von Papen and the "representative" of big business, Kurt von Schröder, in Cologne a year later—have been repeated and elaborated on not only by sensationalistic journalists such as William L. Shirer but by reputable historians such as Alan Bullock, A. J. P. Taylor, Norman Stone, and H. Stuart Hughes, as well. Having taught modern European history for many years, I can only state my gratitude to Turner for clearing away these seriously misleading fabrications.

Besides the steady development of his main theme, Turner often brings out new features in territory one had thought sufficiently investigated already. Take, for example, the dreadful economic crisis that in the end brought the Nazis to power. What was the role of the Weimar Republic's "advanced" and widely admired *Sozialpolitik*—welfare-state system—in hindering economic growth and fostering extraordinarily high unemployment rates? Is it possible that, by insisting on the sacrosanctity of Weimar *Sozialpolitik*, the Socialists (and others) unwittingly contributed to the triumph of Nazism?

Finally, Turner is to be commended for joining battle head-on, in his concluding section, "Myths, Preconceptions, and the Misuse of History," with the advocates of the thesis of big-business complicity. These historians, he contends, evince a deep-seated bias against the world of industry and trade. This is true not only of Soviet and East German writers—whose jobs, after all, depend on generating rationales for the death warrant on capitalism. Even Western historians, he writes, "generally have little or no personal contact with the world of business. Like so many intellectuals, they tend to view big business with a combination of condescension and mistrust." Perhaps Turner's rich and pleasingly written book is a sign there are some changes under way.

Ralph Raico is associate professor of history at the State University of New York College at Buffalo and a fellow of the Institute for Humane Studies, at George Mason University.

Wonders of the (Economic) World

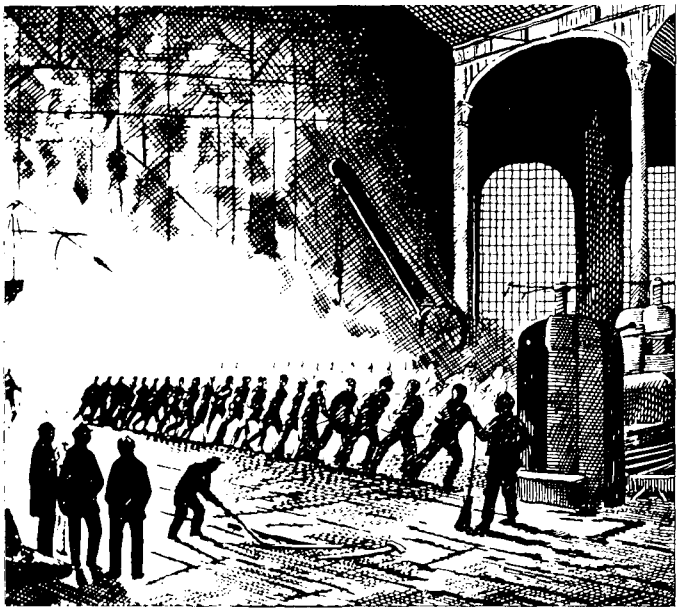
By Paul McGouldrick

From Adam Smith to the Wealth of America, by Alvin Rabushka
New Brunswick, N.J.: Transaction Books, 237 pp., $29.95

In lands dominated by the Anglo-Saxon empirical tradition, advocates of the free marketplace need to cite empirical evidence as well as deductive reasoning in order to persuade. That is why Alvin Rabushka's brilliant study is so useful.

The first part tells how Great Britain dismantled a complex, incoherent system of monopoly privileges, regulation of production and trade, high or prohibitive tariffs, and wage and price fixing between 1815 and the 1860s. Simultaneously, Britain moved to a complete gold standard with market determination of the quantity of money, for reasons cited by the Parliamentary Bullion Report of 1810. Monetarists as well as Keynesians, both of whom favor an active role for the state in regulating the money supply, need to ponder the report's message:

> The most detailed knowledge of the actual trade of the Country, combined with the profound science in all the principles of Money and circulation, would not enable any man or set of men to adjust, and keep always adjusted, the right proportion of circulating medium in a country to the wants of trade.



Finally, supply-side principles were followed in reducing tax rates: Rabushka is superb in fighting through the thickets of tax changes to get to the underlying principles and results. Quite simply, this section of the book should replace the older

accounts by Phyllis Deane and Peter Mathias in economic history courses.

The British achievement—perhaps best summarized by the cut in central government spending from 27 to 7 percent of gross national income between 1811 and the height of Prime Minister William Gladstone's career in 1871—took place despite heavy obstacles. Relative to GNP (gross national product), the government debt had climbed by the end of the Napoleonic wars to a much greater height than the debt in the United States today or even at the end of World War II. And unlike the United States after 1945, the debt was not lowered in real burden by constant and accelerating inflation. Instead, Britain overbalanced its budget in order constantly to lower the debt burden by surpluses and debt retirement, even as the gold standard kept prices actually falling. Creditors gained purchasing power instead of having their assets confiscated by inflation.

Just a few caveats about this first part:

- The gold standard worked much better than Rabushka's short chapter on money suggests: not only did it keep prices stable or falling in the long run and make for low interest rates, but it also produced fairly satisfactory stability in output in the short run. Data for England and Germany show far less cyclical instability than was the case in the United States.
- The Factory Acts, which regulated hours and conditions of work for women and children employed by large firms, can be viewed benignly or at least as rather harmless, since they remedied a real lack of legal rights for women and children that had perhaps led to their being overworked. The laws were a second-best solution (the best would have been legal reform of family law inherited from the past), but we can understand how classical economists like John Stuart Mill defended them.
- Rabushka uses the price-specie flow model, in which gold flows into and out of a country with prices changing only after a time lag, to explain the workings of the gold standard. The model is now under attack by the new monetary theory of international payments, a theory that implies considerably more stability in a gold-standard monetary system than does the model used by Rabushka.
- The class interest-franchise model does not adequately explain the turn away from laissez faire. The model, which links extension of the vote to political efforts to increase welfare spending, does not explain why 25 years or more elapsed between the universal franchise and Lloyd George's "people budget" of 1909. Were political entrepreneurs all that slow in perceiving the advantages of welfare spending to buy votes? And in the United States, nearly a hundred years elapsed between the Jacksonian push for the universal (male) fran-

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chise and the Hoover-Roosevelt push into the welfare state.

The second section, covering the economic successes of Taiwan, Singapore, Hong Kong, and South Korea under generally unfettered capitalism since the 1950s stuns the senses. Gross national product doubling every six to nine years; exports multiplying dramatically over incredibly short periods! Even 19th-century laissez-faire Britain is left far behind in accomplishment. Economist Simon Kuznets's dictum that economic development initially brings greater inequality is also destroyed. In at least three of these economies, such inequality *diminished*, as all incomes rose rapidly but those of the poor and the middle class increased the most.

The major reason for these accomplishments was clearly the unfettering of incentives by supply-side tax and deregulation policies. What other reasons can be given? Some mystic superman characteristics of the Chinese and Koreans? Social structure? Each system differs markedly; for example, unions are powerless in Hong Kong but often powerful and turbulent in Singapore. Climate? Singapore is a hot, steamy city-state on the equator, whereas Korea and Japan have cold winters. Raw materials? Insignificant; Hong Kong even has to import water from mainland China. Foreign investment? This was of some importance in South Korea, but the other three areas generated nearly all of their capital by high domestic saving. Foreign aid? It hindered rather than helped; Taiwan and South Korea, the only countries receiving it, began to make really rapid progress only after aid was withdrawn. (Needless to say, the aid had generated substantial disincentives and inefficiency via import substitution and food price controls while it had been received.) Lack of a military burden? True of Hong Kong and Singapore, but decidedly false for Taiwan and South Korea.

Rabushka's account is succinct, readily comprehensible to noneconomists, and nuanced. For example, he stresses that government was more interventionist throughout in South Korea than in Hong Kong, Singapore, or Taiwan. But as government regulations were reduced in South Korea, the economy picked up steam. Rabushka underlines the central importance of supply-side tax policies. (An amusing note: followers of Henry George, who advocated public ownership of land whose rents then could be applied by the state to purposes of the "common

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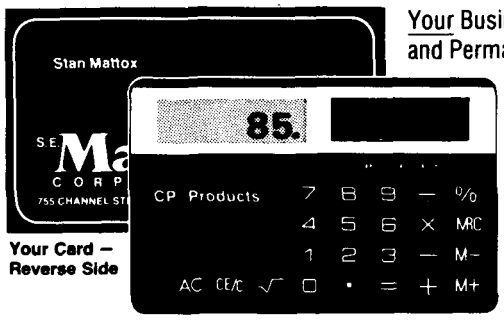

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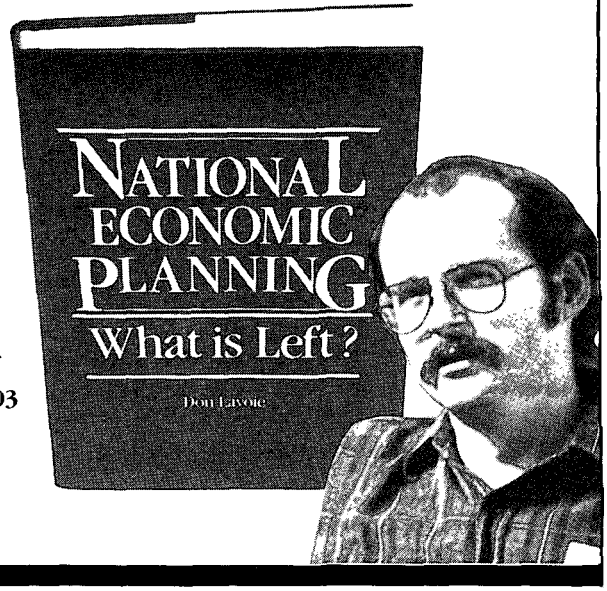

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benefit," can be encouraged by the success of Hong Kong in leasing, not selling, land and deriving a considerable proportion of government revenues from these rents.)

The final, shorter section on the growth of giant, clumsy, and ineffective government in the United States after 1945 is very competent but depressing. As government spending has swelled, growth has declined; in the 1970s real after-tax income of single-earner families even fell. Hope is expressed that Ronald Reagan will yet set things straight; but if we compare his accomplishments with those of 19th-century Britain and the small states of the East Asia rim, they shrink considerably. On the other hand, Rabushka is correct in stressing that the British turn to laissez faire in the 19th century took a long time, and we should prepare for a long campaign.

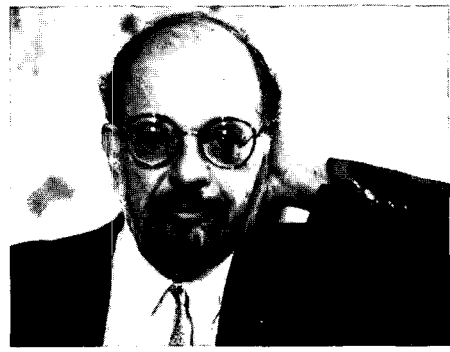
The book is unreservedly recommended for the general reader and also for university courses in economic development, macroeconomics, and economic history. The politicians should read it most of all, but public-choice theory explains why most of them will not. It complements rather than competes with Melvyn Krauss's *Development Without Aid*, so the reader is advised to study both for the complete picture.

Paul McGouldrick is an economic historian at the State University of New York, Binghamton.

■ ***Collected Poems: 1949-1980, by Allen Ginsberg, New York: Harper & Row, 837 pp., $27.50.*** Allen Ginsberg is the finest American poet since Walt Whitman. A central figure in the Beat literary explosion of the 1950s, he, Jack Kerouac, and lesser Beat lights revived the Whitmanesque dream of a rugged, raucous, and uniquely American literature. They were out to recover the "wild, self-believing individuality" that Kerouac believed had been extinguished in the land of the free.

The Beats' bohemian (and sometimes criminal) lifestyles and their emphasis on spontaneous prose and a mystical poetry of being—epitomized by Ginsberg's dictum, "First thought, best thought"—never endeared them to our custodians of cultural good taste. Yet the appearance of this massive volume heralds the final step in Allen Ginsberg's odyssey from *enfant terrible* to the paunchy *éminence grise* of American poetry.

This is great stuff! From the fevered famous first lines of *Howl* (1956)—"I have seen the best minds of my generation destroyed by madness, starving hysterical naked/dragging themselves through the negro streets at dawn looking for an angry fix"—to *Kaddish* (1959), an elegy for his sweet, paranoid communist mother, to *Wichita Vortex Sutra* (1966), a lament for his nation's fall from grace, Ginsberg's poetry brims with mad, lusting, apocalyptic energy. And if his vision of America is less exultant and rhapsodic than Walt Whitman's, well, a lot has changed in this country in the last hundred years.



ROBERT FRANK

***A**llen Ginsberg, Beat bard*

About Ginsberg's politics: His antiwar and anti-nuclear-power activism has earned him the usual knee-jerk hostility from the right. The neoconservative aesthetes at *Commentary* recently attacked him for "sleaziness" and "vitriolic anti-Americanism." Judge for yourself. The best statement of Ginsberg's political principles is contained in the final poem of the collection, *Capitol Air* (written as a punk rock song in 1980):

I don't like the government where I live
I don't like dictatorship of the Rich
I don't like bureaucrats telling me what to eat
I don't like Police dogs sniffing round my feet

I don't like Communist Censorship of my books
I don't like Marxists complaining about my looks
I don't like Castro insulting members of my sex
Leftists insisting we got the mystic Fix

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—Bill Kauffman

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NASA's New Pricing Policy Shuttles Between Bad and Good

As promised, the Reagan administration has established a new policy for the price that nongovernment customers must pay for using the Space Shuttle to carry satellites and other cargo into space. The new policy will go into effect in October 1988.

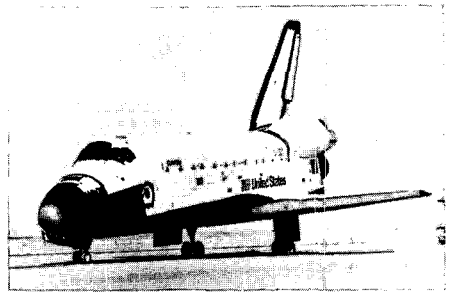
Private space-transportation companies and entrepreneurs trying to get into the space-transportation business had been waiting with bated breath for the move. The degree to which the government subsidizes Shuttle prices is an important factor in the prospects for a private earth-to-space industry (see "Space Entrepreneurs," Jan. 1985).

Under the new pricing policy, NASA will *auction* surplus cargo space on the Shuttle—that is, room left over after the government's needs have been taken care of, with a minimum bid of $74 million per full bayload (in 1982 dollars). Economist Phil Salin has calculated that if NASA were to recover the full cost of Shuttle launches, it would have to charge $200-$250 million (in current dollars) per mission. So the minimum bid of $74 million is way below NASA's actual costs.

How will the new Shuttle pricing affect the private space-transportation industry? Jim Bennett, a vice-president at the newly formed American Rocket Company in Palo Alto, California, says that the new policy is "a middling decision" for the industry. American Rocket is one of a number of private firms working to develop space transportation services.

On the one hand, Bennett told REASON, the price is still significantly subsidized and therefore makes it harder for private firms to compete. But, he noted, the decision to auction the service is good in that it is a policy shift away from the notion that NASA, with its Shuttle, should be the country's one and only national space-transportation company. Instead, the new policy implicitly concedes what NASA has long denied—that the Shuttle is "a government-procured vehicle for government launch needs."

That's not the end of the story, though, for congressional intervention in the Shuttle-pricing issue looms on the horizon. Some federal legislators—most prominently Rep. Bill Nelson, a Democrat who represents Florida's Cape Canaveral district—have criticized



the administration's new policy and are calling for Congress to set a flat (and highly subsidized) Shuttle price.

Whatever the final outcome of the price debate, both Bennett and Salin agree that Shuttle-pricing is a subsidiary issue for space entrepreneurs. Their crucial public-policy problem is, as Salin puts it, "the federal government's failure to establish a coherent policy to promote and foster a private space-transportation industry in this country."

High on Liberty

Recognition of the futility of the government's efforts to suppress recreational drug use is growing across the political spectrum. As REASON has reported ("Put This in Your Pipe and Smoke It," June-July), conservative guru William F. Buckley, Jr., has called for legalizing drugs, including cocaine and heroin. The current system is "encouraging criminal behavior on a vast scale," he wrote in his syndicated column some months ago.

Not long after Buckley announced his about-face on drug policy, his ideological colleague Ernest van den Haag followed suit. In a *Wall Street Journal* op-ed piece, the Fordham University law professor wrote: "Although I am a strong political conservative, I now believe that the costs of our fruitless struggle against illegal drugs are not worth the modest benefits likely to be achieved." Marijuana, cocaine, and heroin, he declared, "must be made as legal as alcohol is."

Even some police officials seem open to the idea of drug legalization. Hubert Williams, the director of the Newark Police Department, said in a *Harper's* symposium on crime, "Frankly, I think we should consider the idea very seriously. It is clear that the money being made in drugs has corrupted our system, our judges, our police officers."

An editorial in the liberal journal *New Republic* recently pointed out that the Reagan administration's massive anti-drug crusades are in fact doomed. "As long as the demand for drugs remains constant," it noted, "drug traffic will defy all attempts at enforcement. The reason is that the drug trade is a perfect example of unadulterated, free-market capitalism." When the government seizes drugs, it drives up the price of drugs and hence makes the drug trade all the more profitable.

In going on to make the case for legalizing marijuana and possibly cocaine, the editorial observed that the demand for drugs exists. So "to effectively curtail drug consumption, the state would have to consistently invade the privacy of people's homes, where most drug use takes place"—an obviously unacceptable strategy.

The administration's drug-enforcement efforts have spawned other reprehensible tactics, such as a campaign to seize attorneys' fees in drug cases. Money to pay the lawyers of convicted drug felons, the feds argue, is an ill-gotten gain and therefore the property of the state, not of the attorneys to whom the fees are paid. Though one federal court has ruled against this tactic as unconstitutional, federal prosecutors continue to try to use it. Their intention: to discourage attorneys from defending those accused of violating drug laws, whether guilty or not.

Such degeneration of the justice system is in itself a strong signal that the government's drug policy is seriously flawed. As van den Haag pointed out in the *Wall Street Journal*, the disastrous alcohol prohibition of the '20s and '30s "ended by significantly debasing the political life of the nation." This, it appears, is no less true of the drug prohibition of the '80s.

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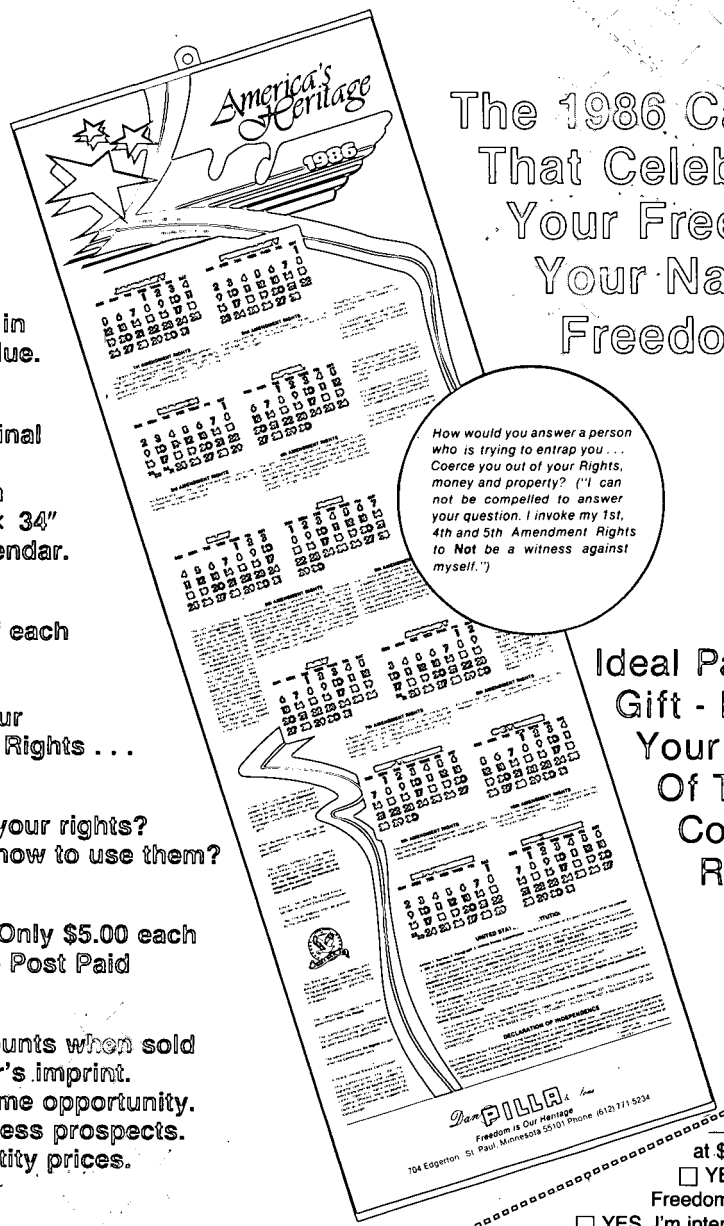

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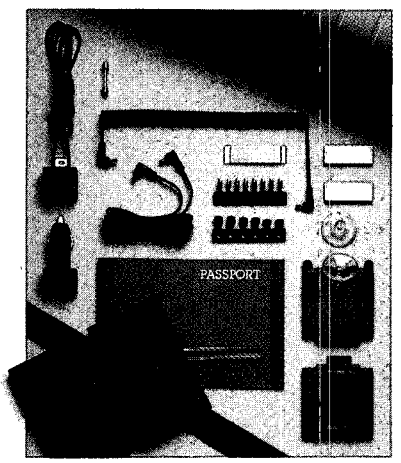

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